



## **An Examination of Correios' Product Portfolio and its Best Solution to Overcome Challenges in the Convenience/ Retail Segment**

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## *Abstract*

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### **An Examination of Correios' Product Portfolio and its Best Solution to Overcome Challenges in the Convenience/ Retail Segment**

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**Abstract:** Product portfolio has always been a challenge for most companies. Increasing or reducing it may impact positively or negatively your company. Therefore, a careful analysis is needed, and most times, it is not enough. The purpose of this study is to show Correios and its product portfolio in the convenience/ retail sector. The goal is to find an efficient strategy to shrink its portfolio to stay competitive in the market, reduce costs and increase overall revenue.

Surveys and interviews were conducted to show that the spectrum of product portfolio goes beyond the marketing department. There are many external influences that if not thought of can affect tremendously the business of your firm. Doubts arise when evaluating whether shrinking the portfolio is the best solution for Correios, as other postal companies became successful increasing its product portfolio.

The study shows that there are no ways of proving which one is best (shrink or not) but often demonstrates that the external influences can provide an important analysis for determining the most adequate solution.

**Keywords:** Product Portfolio, Postal Business, Product Portfolio Management, Postal Management

**Abstract:** O portfólio de produtos sempre foi um desafio para grande parte das empresas. Seu aumento ou diminuição pode impactar sua empresa positiva ou negativamente. Portanto, uma análise cuidadosa é necessária, e na maioria das vezes, não é suficiente. O propósito deste estudo é mostrar os Correios e seu portfólio de produtos na esfera do setor de conveniência. O objetivo é encontrar uma estratégia eficiente para reduzir este portfólio para com as finalidades de se manter competitiva no mercado, reduzir custos e aumentar as receitas.

Pesquisas e entrevistas foram conduzidas para mostrar que o portfólio de produtos vai muito além do âmbito de marketing. As influências externas, quando não antecipadas, impactam tremendamente os negócios da sua empresa. Quando avaliamos se diminuir o portfólio é a melhor solução para os Correios, dúvidas surgem, principalmente por outras empresas do ramo terem apresentado sucesso quando aumentaram o seu leque de produtos.

Este estudo mostra que é impossível provar que aumentar o portfólio de produtos é melhor do que diminuir, e vice-versa. Porém, demonstra que as influências externas fornecem uma importante análise para determinar qual é a solução mais adequada.

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## ***I. Introduction***

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Nowadays, it is paramount for companies that offer a wide variety of products to have a strategy to manage its portfolio. Alongside, there must exist a structure of development and introduction of new products into the market. It all seems perfect when new products are well accepted by the market, making it easier for the portfolio management team to do its job. But what about when the opposite comes in play? Instead of developing and introducing new products into the market, existing products must be taken out.

Many companies around the world have failed when introducing new products or managing its existing products. RIM failing to adapt its Blackberry to the market needs and wants, and McDonald's Arch Deluxe burger, to name a few. Often, these failures incur massive losses for the company and it is a responsibility of portfolio management to decide whether or not a product should stay or not within the company's product portfolio.

The company I have chosen operates in the Brazilian postal market, Empresa Brasileira de Correios e Telégrafos (ECT or Correios). It has an enormous portfolio in different sectors that extends to shipping, direct marketing, messages, digitalization, finance, international business, logistics, retail and additional services

The focus of this study will be in the retail segment where there is the need to shrink its product portfolio and as a consequence maintain the company's positive status financially in this segment.

### ***Academic and Managerial Relevance***

As studying this specific company and subject, I propose to develop a tool for companies, marketers and managers that will help during the process of portfolio management. This study is intended for many industries but should be thoroughly applicable especially for the companies in the postal segment as they follow a similar base seen in this case.

### ***Problem Statement***

The purpose of this study is to provide a comprehensive method to reduce the company's product portfolio, focusing on the retail and Business to Consumer (B2C) side of the company.

The goal is to reduce the costs and the influences the digital world have impacted this side of this company's business.

### ***Key Research questions (KRQ)***

Thus, in trying to find the resolution for the problem statement, answering the following KRQ will be crucial for the development of this study:

1. What are the variables that should be taken in consideration when resizing the product portfolio?
2. Which are the products that should stay within the retail segment and which should not?
3. What are the impacts the digital world has influenced particularly in this company?
4. What are the implications of reducing Correios' product portfolio?

### ***Methodology***

This study will focus on quantitative data analysis from employees and consumers. The research will look for a descriptive approach of the behaviors of the population in a way that will derive the best way to assess the products of the company.

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## ***II. Literature Review***

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Though the decision of reducing a product portfolio belongs to the decision makers of any company, instinct or “gut feeling” may sometimes play a role in this decision. Many studies can help decision makers reduce a company’s product portfolio. These studies circle around the product life-cycle theory, the quality of the product, the consumer behavior, as well as but not limited to portfolio management.

### ***Variations of the Stage-Gate Method***

Product Portfolio Management has been for many years stuck with one process developed by Robert G. Cooper. As he stated, he did not know what could come next after the stage-gate (Cooper, 2014, p. 21). However, many authors, including Cooper, have developed new ways to manage portfolio based on the stage-gate method. It is with no doubts that Cooper set the standard for this study with his stage-gate methodology. Miguel is one of these authors who proposed a different way to manage product portfolio based on the stage-gate method. In his studies, he suggests that implementing a product portfolio management is a two-step process. He believes that product portfolio management should be treated as a set of projects aiming to reach a common goal. The first step intends to define the who, what, where and when of the portfolio management with emphasis on linking the company’s strategy with the projects, and to elaborate the gates for development of the company. These gates are based on three classifications, approved (to move to the next stage), need more information (to stay on the same stage) and rejected (to be suspended). The second and final step is to discuss the results using criteria such as strategy alignment, technological level, difficulty of implementation and ROI. This process showed facilitations in the decision making process, however, it is not be generalized as a continuous long-term post-implementation must be carried on for proven efficiency of the method. (Miguel 2008)

Another author who followed Cooper’s stage-gate were Moreira and Cheng. Moreira et al. did not focus on developing a new management model for product portfolio. Instead, they aimed to develop important criteria for the application of such. They go into more detail in explaining how product portfolio management needs to follow a quantitative and qualitative approach, and how it is connected with other processes of the product such as the product development. They state that portfolio management should circle around four basic principles. Starting with the



formation of a team. Then the development of a strategy that should either align with the company's strategy or with what the industry defines as the standard approach. Following is the evaluation of projects following seven steps to assess the strategic impact, the financial impact and prioritization. Finally the revision of the portfolio, consisting of answering the questions that will determine the feasibility of the project. (Moreira et. al 54-64). It is clear that many authors have tried and are trying to develop a new method of managing product portfolio (e.g. Moreira et al. and Miguel) but most times as Cooper states "it's an evolution of stage-gate to a better, faster model" (Cooper, 2014, p. 21). Despite the fact that emerging firms are trying to develop a next generation for product portfolio management (e.g. The Triple A System and An Agile Process) Cooper believes that it is just the beginning of this theory and process. (Cooper 2014)

### ***Product Portfolio- Broad or Narrow?***

According to BBC (British Broadcasting Company) and as a simple definition, product portfolio is the range of items sold by a business. Not every company is the same, some have many products while others just a few. Many authors debate the idea of whether is best to have a larger portfolio (e.g. Anand) or a smaller portfolio (e.g. Schwartz).

"With rapid technological change (...), companies are often advised to scrutinized their portfolios and eliminate unprofitable products." (Anand 2008) A reformulation of the product portfolio is necessary occasionally. Some products remain profitable while other lose profitability over time. Many believe that reducing the portfolio is the best way to stay in the business, however, Bahrat Anand defends a different idea. Having a broader portfolio can help a company capture value. Studies show that successful firms are following the latter strategy, and there is not particular standard for one or another industry. In other words, it has been proven successful in different industries. Anand also suggests that in the technological world we live today, creative solutions in a portfolio strategy does far greater than a competition on a product-by-product level. (Anand 2008)

Other authors describe product portfolio based on its complexity. Rothaemel et al. (as cited in Fernhaber et al., 2010, p. 1515) state that a diverse portfolio helps companies increase sales growth and competitiveness. Fernhaber and Patel in their studies about product portfolio complexity found that the benefits of having a complex portfolio can come handy when dealing

with uncertainty. They state that this complexity “increases difficulty for competitors to understand and replicate or substitute its competitive advantage. (Fernhaber et al., p. 1518). On the other hand, they noticed a fine line between higher and lower complexity, as higher complexity can increase financial costs and create management overload. Fisher and Ittner (as cited in Fernhaber et al., 2010, p. 1519) found that it is nearly impossible to identify and capitalize on an optimal level of PPC. Fernhaber et al. conclude their studies stating that simply having a bigger or smaller product portfolio is not enough to determine its efficiency. They believe that other concepts and theories must be analyzed conjunctively with product portfolio such as ambidexterity<sup>1</sup> and absorptive capacity<sup>2</sup>, which can help firms enhance returns and mitigate costs. (Fernhaber and Patel 2010)

Barry Schwartz – psychologist and author of “The Paradox of Choice” – expresses how we became slaves of innumerable choices. He makes an interesting link between companies’ product varieties and consumer behavior. He believes that what is more affected when more choices are offered is the consumer behavior. In addition, he attributes four important problems that arise from having more choices: 1) difficulty in choosing which causes what he calls paralysis; 2) less satisfaction; 3) escalation of expectations; 4) self-blame. He compels us into thinking that life was easier when fewer choices were offered. (Schwartz 2004)

The truth is that there is not a correct answer to whether a product portfolio should be big or small. There are so many variables that should be taken in consideration to determine it, and despite Anand, Rothaemel et al., Fernhaber et al and Schwartz have compelling points, Fernhaber and Patel defined it best when stating that a big or small portfolio cannot alone determine its efficiency and efficacy.

### ***Raymond Vernon – The Mind behind the Product Life Cycle***

Originally proposed by Raymond Vernon, the product life cycle still sets the standard in economics and marketing. He suggested that there are four stages in a product life cycle (Introduction, Growth, Maturity and decline). (Vernon 1966) Many authors have used this theory as the basis model for many studies. One of these studies regards to the implications of the product life cycle (PLC) in our technological era proposed by Klepper. The amount of firms

<sup>1</sup> According to Tushman and O'Reilly (as cited on Fernhaber et al., 2010, p. 1520) is the simultaneous pursuit of exploitative and explorative activities.

<sup>2</sup> According to Cohen and Levinthal (as cited on Fernhaber et al., 2010, p. 1520) is the ability of a firm to recognize, assimilate, and apply external knowledge to commercial ends.

focusing simply on the product innovation or process innovation has created a significant impact in the product life cycle. He noticed a pattern between the rise of a dominant design and a focus on process innovation. On the other hand, he noticed that in the early stages of the PLC, companies would rather focus on product innovation rather than process innovation. Klepper believed that “over time, firms would devote more effort to process innovation and rate of diversity of product innovation would eventually wither”. (Klepper, 1996, p. 562).

### ***Variations of the Product Life Cycle Theory***

Another important study was done by Golder and Tellis who embedded the product life-cycle theory with consumer behavior, developing a unique approach to it. Rather than defining the four stages of a product life cycle, they enhanced the focus on the first two stages (Introduction and Growth). They believe that in the Introduction stage the interest is nearly zero, and the Growth stage is where the importance lies. They have divided and defined three stages between the beginning and end of Introduction and Growth Stages:

- Commercialization: point where the new product category is first sold to consumers;
- Takeoff: point of transition (Introduction – Growth), there is a sustained increase in sales;
- Slowdown: point of transition (Growth – Maturity), presented by slow increase or temporary decrease in sales. (Golder et al., 2003, p. 3)

Alongside with this study, they believe the consumer behavior has a word-of-mouth effect on the product life cycle. As people adopt a product, non-adopters are influenced by previous adopters, signaling important information to the market. This information brings valuable benefits for the life cycle of a product such as “depressing takeoff sales, sharpening takeoff, exaggerate product growth and reverse sales growth at maturity” (Golder et al., 2003, p. 4). Furthermore, Golder and Tellis believe that managers must anticipate and prepare for the slowdown phase<sup>3</sup>. Finally, their results suggest that by lowering prices, managers may extend the duration of the Growth stage. (Golder et al., 2003, p. 24)

Cohen and Whang have identified that there is an interdependence between the product and sales. They aimed to study product and sales together rather than each separately. From their studies they have found that in all stages of the product life cycle, the key is to measure its

<sup>3</sup> Period rapid growth is well known, while slowdown and declining sales are not (Golder et al., 2003, p. 24)

profitability rather than focusing on other independent variable such as sales or demand. Furthermore, the authors showed an emphasis on managers and their reactions alongside the curve of the product life cycle. This emphasis has developed a conclusion of their studies that the importance is not to develop lessons for them but to understand them. (Cohen and Whang)

Birou, Fawcett and Magnan have developed an interesting study showing the importance of having competencies for each stage of the product life cycle. Their studies focused on seven competencies (low cost, product quality, delivery speed, delivery dependability, product innovation, process innovation, flexibility) in three different areas (logistics, operations and purchasing). Managers from several companies responded that in the maturity stage the most important competency is the *low cost* for all three areas. *Product innovation* is the most

important in the pre-introduction and introduction stages. Moreover, the growth stage is the one that experiences the highest number of *competencies, product quality, delivery speed, delivery dependability and flexibility*, each taking higher or lower importance depending on the area evaluated. From this study, they have determined that *process innovation* does not rank highest in any or stage. However, it is equally important for the development of the product life cycle, with a high focus on the pre-introduction stage, alongside with the product innovation. (Birou et al.)

### ***Toyota's Operations and the Focus on Quality***

Jeffrey Liker – Professor of Industrial and Operations Engineering, and author of “The Toyota Way” – through his studies believe that process innovation is far more effective than a reliability on new, untested products. In his own words “The right process will produce the right results” (Liker, 2004, p. 37). He states that a change must first come in the optimization of the process (flow) in a way that cost is reduced and quality is increased. His studies focus much more on the product itself than any other theory. In the industry he studied (Automakers – Toyota), concentrating on delivering quality and fewer product helps captivate the customer much rather than delivering variety and quickness. (Liker)

### ***Consumer Behavior – Impacting the Company’s Decision***

Finger et al. have studied the postal industry for the past 20 years and have found a change in the consumer behavior. Nowadays, consumers want faster, more reliable, more choices and competitive prices of products and services. In addition, they have analyzed trends that could help postal companies develop in this technological era, where impacts have been tremendously strong. Focusing on product and process innovation can give consumers what they want. Furthermore, they stated that postal companies are often a large employer in their country of origin, and to fight both technological advancements and the liberalization of the market, modernized management systems and techniques must be implemented. (Finger et al. 2005)

The authors based their studies on a theory that was previously done. Each author has a unique approach to a problem, trying to identify a solution through analysis and situations. Sometimes an author does not agree with point of view of other authors (case of Schwartz and Anand). Other times, the authors are coordinated (case of Miguel and Moreira et al.). The idea behind analyzing every author and theory is to find that “one thing” that will be successful for your company. Furthermore, the beauty of it is to understand that there is no right or wrong, simply a better fit for your particular challenge.

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### *III. Case Study*

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#### *History*

Empresa Brasileira de Correios e Telégrafos, or simply Correios, had its origin dating 1663. It is the oldest institution in Brazil and participated in the development of Brazil as a nation. Its trajectory is directly connected in the country as the evolution of public administration and technology. However, it is not possible to define the company only through the recent years as it has a history that began when Brazil was still a colony of Portugal.

In the 15<sup>th</sup> century, the only method of long distance communication was done over letters. As Brazil was a colony of Portugal and the transit between these two countries were constant, the need for a postal service began to increase. This service was done by Correio-Mor (High-Courier) and it was directly tied to Portugal. In 1730, as the colony began to increase in size and area, the Royal family prohibited the use of Correio-Mor inside the country. This measure led to the creation of courier services that were not tied to the Royal family.

In 1773, the governor of São Paulo created a courier service that established the first postal communications between two cities in Brazil (São Paulo and Rio de Janeiro). For 24 more years, Correio-Mor was still the go to business when the communication was between Brazil and Portugal, until it was extinct by a decree. Correios was then born as a state-owned company.

During the Imperial Period, Correios started to become more independent, giving autonomy to each city administration in the interior of the country. During this time, there was great development of the company, especially with the creation of postal stamps, mailmen and home delivery. In 1889, Brazil became independent from Portugal, and Correios started to see its technological development with new machines, new methods of transportation and national integration. In 1969, the company became linked to the Ministry of Communications, given its importance in the communication and postal services in the development of Brazil.

From this history, we can see that Correios has gone through many processes before becoming its own independent state-owned company. However, it only gives us how the company was formed. In order to get the best understanding of what Correios really is, we need to dig over the business itself. In the next paragraphs, you will see what Correios really is from an educational and professional standpoint, beginning with a deep market analysis of the company.

### ***The Company - Correios***

First, it is important to define the Empresa Brasileira de Correios e Telégrafos. For the ones whose primary language is Portuguese, the name of the company can be clearly associated with the business. However, for many others, it cannot. In this case, Empresa Brasileira de Correios e Telégrafos (or Correios) is the post-office of Brazil, roughly translating to Brazilian Company of Posts and Telegraphs. Correios counts with 12,225 operational postal agencies in every one of the 5,570 counties Brazil has. In addition, it employs 120,461 employees, putting itself in the top 20 largest employers in Brazil.

In order to make a career at Correios, one must take a test (concurso) and he/she is only selected in case the grade satisfies the minimum and the person is between the number of vacancies. The system is similar for every state-owned institution in Brazil and subject to disagreements between the population. The company operates in a revenue of over R\$16 billion and R\$16 million profit in the year of 2014. Though the company has operated with profit in the past years, it suffers majorly from the political and economic turmoil the country faces. Due to being a state-owned company and facing political disputes, the decision makers are rarely employees from Correios but assigned employees from other institutions. The understanding of Correios by upper management is rather questionable by long time employees who often see them dragging the company down and are unable to do something about it. This is due to how influential politics are in the country, prevailing over capabilities and skills. In the year of 2015, the company is suffering from a reported deficit of R\$900 million (internal sources says it is close to R\$2 billion), the worst that it has ever seen and in desperate need to cut costs and increase revenue. (see appendix 1)

### ***Correios – The Business***

Inside of Correios's corporate identity is the organizational culture of the company, which is divided in four different parameters. As stated on Correios' website, these parameters are the *Business*, the *Mission*, the *Vision* and the *Values*. Each of these parameters has a mission statement embedded in it as follows:

- **Business:** Approaching solutions
- **Mission:** Provide accessible and trustworthy solutions to connect people, institutions and businesses in Brazil and in the world. The goal is to show the world that Correios

is a dynamic corporation seeking to understand the wants and needs of its clients. Then, committing to offer quality products and services, accomplishing punctuality and safety, and promoting integration without borders.

- **Vision:** Become a world class company
- **Values:** Ethics, meritocracy, respect, commitment and sustainability. Ethics in terms of relationship transparency and excellence in governance. Meritocracy in valuing its employees for their knowledge and competence. Respect towards others, with fair and correct conduct in the workforce. Committing to the client, guaranteeing the efficiency of product and services. Moreover, always looking for the balance between the social, environmental and economic aspects, assuring profits, respecting the people, the society and the environment.

*a. Business – A company focused on Businesses and Consumers*

The main goal of the company's business is to offer to society much more than just products and services. The company seeks to understand the necessity of its clients so it can focus on adequate solutions that allow a better and faster approach between people and organizations.

Correios is not a company that focus only on one segment when doing business. The fact is that this large corporation allows many benefits and solutions for consumers and other businesses. This shows that Correios is a company Business-to-Business (B2B) and Business-to-Consumer (B2C). From its widespread presence around Brazil, many partners are important to Correios, especially Banco do Brasil, Casa da Moeda and Secretaria da Receita Federal do Brasil. Banco do Brasil has been a partner for a long time. Furthermore, in the last few years this partnership has strengthened because of the many combined projects these two Brazilian giants are doing. The largest of them is the creation of the Banco Postal (Postal Bank) where the benefits are enormous for both companies. One because of the influence Banco do Brasil has in the economy and second because of the widespread presence of Correios in Brazil (having postal agencies in every county). The partnership with Casa da Moeda is strictly for the manufacture of stamps, and the partnership with Receita Federal ranges around services related to the Cadastro de Pessoa Física (CPF or social security number of Brazil).

From all the services that Correios provides, there is no difference between offering to a business or to a consumer. In other words, the products and services offered are the same, no matter if you are a company or a person. The most utilized services are in the branches of philately, orders and financials. The company has partnerships with several other businesses in



order to provide delivery to customers for retail stores such as Lojas Americanas, Submarino and Magazine Luiza. Though the company has been proving sustainable profits in the B2C segment, it has been decreasing. The future, which will be mentioned later in this case, is reserved for B2B because of the new technologies impacting drastically consumers.

***b. Strategy - Become a World Class Company***

The challenge that Correios seeks when delivering its strategy is to position itself between the organizations that are considered the best in the world in organizational management, characterized by its great practices and excellent results. Furthermore, it pursues product and service excellence in order to contribute to the competitiveness of the country, offering better quality of life. This means that Correios strives for to become a model company, where results are equal to or superior in comparison to the benchmarks of excellence.

Still concerning the strategy of Correios, strategic plans are an important part of the development of the company. These strategic plans are implemented in accordance to the needs and wants of the company and the government (for the fact that Correios is a State-owned Company). The most recent strategic plan is called “Plano Estratégico Correios 2020” (Strategic Plan Correios 2020). The implementation of this plan focuses on three groups, being corporate, business and management. The first group focuses on corporate objectives which is characterized by the pursuit of stable profits, sustainable development and universalized services. Reaching these goals also means reaching the goals of business and management. The former seeks to maintain the company competitive through the volatility of the market, aiming to reduce costs, evaluate market share domestically and internationally, promote communication solutions, provide financial services and universalize postal services. The latter focus on corporate sustainability and management excellence. Therefore, despite the separation of the implementation in three separate groups, they are all interconnected and interdependent.

As previously mentioned, the first group seeks to achieve strategic goals in order to maintain the development and continuity of the organization. These goals are as follows:

- To become a modern, flexible, dynamic and with diversified business conglomerate, in sync with the levels of development of the country
- Become the public institution with the best evaluation of trust
- Become the most universalized public service

The second group (Business) focuses on five segments of business with the following strategic goals:

- Segment 1: International
- Segment 2: Logistics
- Segment 3: Communications
- Segment 4: Financial
- Segment 5: Public Service

The third group (Management) offers two different aspects. The first aspect is the Corporate Sustainability and the second is Management Excellence. Both focus on the primary goal of developing the company from within and exposing it to the outside world.

### ***c. Competition – For now a Monopoly***

Although Correios is considered a monopoly, it is only limited to correspondence services. The other products/services offered face heavy competition from domestic and international players. Correios is present in the segment of order shipments up to 30kg, a market that is estimated to be worth R\$8.9 billion according to A.T. Kearney. Correios has a market share of 87%, leading this segment in Brazil. In addition, the company detains a market share of 45% in e-commerce through partnerships with retail stores, such as Magazine Luiza, and online retail stores, such as Netshoes and Mercado Livre. Exports and imports have shown signs of increase despite the heavy competition in this segment. Companies such as DHL, FedEx, TNT and UPS are direct competitors of Correios. Although these competitors are focused on corporate clients, there is an increasing interest for smaller companies with high exporting potential. (Strategic Plan 2020)

First, it is important to evaluate the postal traffic in comparison with the country's GDP from a period of 10 years. Seeing that the country's GDP had an average increase of 3% per year, the postal traffic did not follow the same pattern, presenting an average decrease of 0.3% per year.

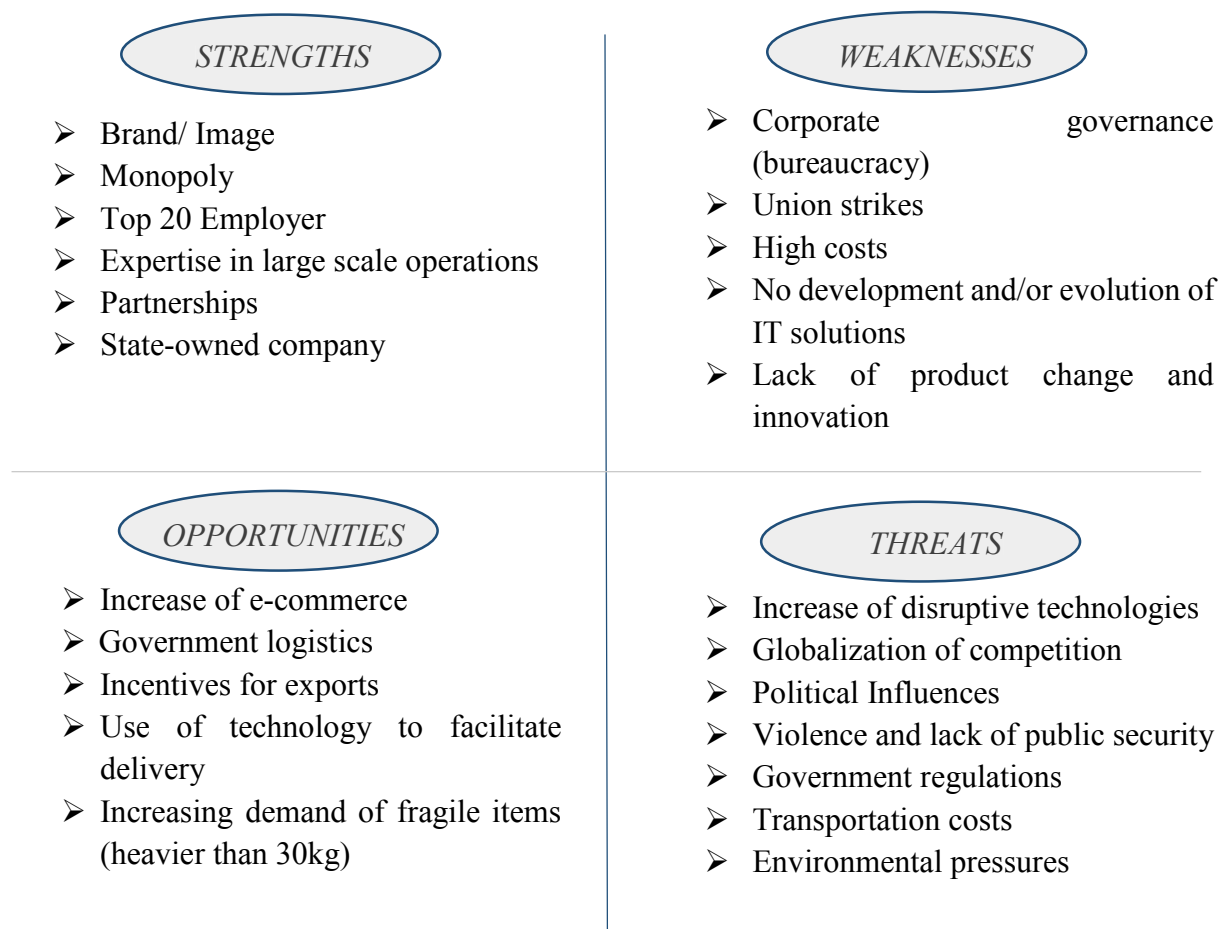
Although Correios is characterized as a monopoly, it suffers from direct competition in various segments. The liberalization of the market impacts directly public postal companies, especially the ones whose highest gross earning come from letters (Mexico, USA, Spain, Canada and Brazil). In logistics, the competition is domestic and international. The main companies are the multinationals DHL, UPS and FEDEX, and the domestic TNT.

The future of Correios and postal companies, which will be analyzed later, are influencing tremendously the course of action these companies are taking. The opportunities they have to

grow and become more influential are extremely relevant for the future. Hence, the SWOT analysis will provide a guide and tool for this plan of action, identifying what is necessary to maintain the company within its norms and values.

#### *d. SWOT Analysis*

As mentioned before, the SWOT Analysis is very important to provide the company with a guide or tool to what is being done well and what needs to be improved.



(Source: Strategic Plan 2020)

From this standpoint, it is possible to see that the company needs to improve the way it does business. Many talks have circulated around Brazil where the solution for most state-owned companies is to be privatized. This thought is in order to reduce the political influences companies face, making higher profits and end the – what is called in Brazil – employment hanger (an expression used in state-owned institutions to give employment where political interests are very high such as nepotism). Others believe that privatization will disparage the status of the country and the company.

The truth is that many of the weaknesses and threats Correios has is influenced by the fact that it is owned by the State. It may be contradictory to put *State-owned company* in the strengths column but working for the government brings many benefits such as a steady financial situation, excellent health coverage, relocation bonuses, good retirement packages etc. So, is privatization the only solution? No, simply focusing its upper management to be from the “house”(long-time well capable employees) can help overcome many of the barriers. Increasing autonomy from within the company can also reduce the weaknesses such as *No development and evolution of IT solutions* and *Lack of product change and innovation*. State-owned companies are famous for its bureaucracy and since it needs approval and bids for everything to be done, much of the work ends up taking a long time or not being done at all. Increasing autonomy can help Correios take advantage of the learning curve of innovations, differentiating itself.

### ***Product Portfolio***

The business of Correios was grouped in eight segments to accommodate the large variety of products, respecting the classic design of postal companies aiming to systematize its operations. (Relatório de Administração 2014)

- **Message:** This segment represents 45.18% of the total revenue. It englobes the message segment the traditional services of Correios, protected by the postal monopoly, in regards to receiving, shipping, transporting and delivering postal items. These include letters, post-cards and hybrid services (telegram, letter via internet, e-letter and V-Post).
- **Malote:** This segment represents 2.78% of the total revenue. It is utilized strictly by companies, therefore the focus on B2B. It is a monopolized service for mail transport.
- **Orders:** This segment constitutes 34.18% of the revenue. It belongs to this segment the services of receipt and collect, shipping, transport and delivery of express and non-express orders.
- **Financial:** Third largest segment with 6.56% of the revenue. It provides services of electronic money orders and banking services through the Postal Bank. The banking services are done over a partnership with Banco do Brasil S.A.
- **Marketing:** This segment represents 3.88% of the revenue. It offers services where publicity can be done through mail. One of this service is called Mala Direta and it is used by companies. In addition, it is offered through this segment response services,

delivery of periodic publications and printed postings such as books, newspaper, magazines.

- **Logistics:** Responsible for 2% of the revenue, this segment offers the services of integrated and reverse logistics, in the domestic scope, englobing all the processes in the productive chain, including customer service, storing, transportation and distribution.
- **International:** Represents 2.48% of the revenue and focuses on the international exchange of documents, goods and information, as well as the company's presence abroad.
- **Convenience/ Retail:** Responsible for 2.95% of the total revenue. It is responsible for the sale of complementary products to postal services such as packaging, franchising slips and aerograms. Also, it includes philately in regards to stamps and related items. Furthermore, it has the Grife Via Postal that contains apparel, notebooks and dolls with postal reasons. Going further, it provides nationwide services to the third parties in diverse market segments through Correios' service network. Each segment has several products under its category.

However, for matters of this case study only, the focus will be in the convenience/retail segment. The Convenience/ Retail is responsible for 2.95% of the revenue, which was around R\$511 million in the year of 2014. This segment counts with a product portfolio of 14 categories and innumerable products, named and explained as follows (see appendix 2):

- **Philately:** Much more than just the collection and study of postage stamps, the center of philately of Correios works to embrace the philately world with magazines, stores, clubs and museums. In addition, offers a collection of stamps to sell as it is a very important item when shipping something somewhere. This product has the highest revenue amongst the retail segment. Examples of the products sold are:
  - Regular Stamp
  - Personalized Stamp: Used to promote commemorative events with pictures or image of the client's choice.
- **Packages:** There two types of packages. The first is boxes and used for larger goods while the second is envelopes ranging from different sizes and formats, and is used for small shipments. This service follows four different styles:
  - Basic: simplified layout, ideal for practical and economical shipments

- Conventional: layout associated to the Correios brand, ideal for security and credibility
  - Themes: simply illustrated with a variety of themes such as touristic, environmental and/or cultural
  - Sustainable: simplified layout but allows it to be reutilized
- **Receita Federal:** Receita Federal is the equivalent to the IRS in the United States. Correios provides a service of issuing the CPF (Cadastro de Pessoa Física) which is one of the most important documents the Brazilian citizen must have as it is vital to the declaration of earnings and goods owned for tax purposes. It is the second highest revenue in this segment.
- **VPE (Electronic Money Orders):** similar to Western Union and Money Gram, it facilitates cash transfers from one person to another, regardless if it is domestically or internationally.
- **Digital Certification:** Only to be used online, this certification guarantees authenticity, integrity and restriction of access from third parties. This service is offered to both companies and consumers and is used for electronic invoices and declaration of income tax for example.
- **Mailbox:** This product allows a client to rent a mailbox in a Correios' postal agency so he/she can receive postal goods with more privacy and exclusivity. The price depends on the periodic subscription chosen (semester, annual or biennial)
- **Capitalization Bonds:** In partnership with Grupo Silvio Santos, this service allows the sale and withdrawal of a bond called Tele Sena.
- **Others Retail:** Without a specific terminology, this involves products that do not fit in any of the other categories but are responsible for the retail sector, for example:
- Customizable Corporate Products: This allows corporations to customize any of the previous products (packages, cards, aerograms) the way they want with their own logo. Mostly focused on promotional events of a brand and/or product.
  - Virtual Passwords PIN: This service consists on the sale of PIN (Personal Identification Number) for remote access to various other services such as telephony and anticipated payments.
- **Social Message:** Social Message offers telegram services to the population that are different than the basic letter. Examples of these are:

- **Aerograms:** This is an exclusive product of Correios. It is an all-in-one feature (combining the paper letter, the stamp and the envelope) that provides more convenience to the client. In addition, it is pre-paid, can be used at any time and comes in three different specifications:
    - **National:** for commercial and social messages, especially in large-scale;
    - **Commemorative:** following special dates with specific illustrations (Christmas, Mother's Day, Valentine's Day, Birthday);
    - **International:** for exports only
  - **Cards:** Similar to aerograms but does not involve a all-in-one feature. It is more used for commemorative purposes on specific dates.
- **Bills Receivables:** This service is for everything that is paid on Correios' agencies such as electricity, water, phone bills and others. Correios act as an intermediary.
  - **Registrations:** This service allows institutions that are promoting tests to hire Correios as an intermediary for the registration of these tests. People who are willing to take the tests sign up at an agency and pay through the Postal Bank
  - **INSS:** For retired workers, they can choose to open a bank account with the Postal Bank and receive their check.
  - **Others Financial:** This service relates to the Postal Bank and involves opening accounts, loans, credit cards and saving accounts.

During its life, Correios has counted with several products in its portfolio and hardly-ever had problems with them. Due to technological advancements, its large product portfolio started to become a problem as there were very little liquidity in some of them.

### ***Influences of the Digital Era***

Everyone is aware that the growth of technology has influenced significantly our lives. One of the most significant advancements in the digital era was in communications. From a consumer standpoint, technology has facilitated, accelerated and protected our methods of communicating. However, analyzing the influences of the digital era only from the viewpoint of consumers would be a mistake as it mostly brought positive arguments in terms of communication. The point is that for a consumer to exist there must be someone willing to sell, a business for example. Certainly, most businesses have embraced technology and nowadays, to not say impossible, it is almost inconceivable that a business could exist without technology.

Much like marketing, technology has become a fundamental part of any business. Thus, as technology is required for a business, it may also work against this same business. Correios is an example of business that was negatively influenced by the digital era, especially in communications.

Before computers and the internet, the only way of communicating long distance was either by phone (which was very expensive) or letter. Then, the computer came along, ending the old cycle of writing-up and starting the new one of typing-up. Still had to go through the postal company to send the “typed” letter to someone. Later, the internet came and changed the world. In a matter of seconds, communication could be established between people in different areas, cities, countries or continents. As the years go by, internet became accessible to the public. Today, much like every business needs marketing, everyone needs internet. E-mail substituted letters, video calls substituted phone calls, instant messaging is substituting letters, phone calls and even e-mails. The truth is that technology in the communication sector has redefined the communication standards. Our old landline phone and postal companies that were successful in the 80s and early 90s are fading and it seems that there is no stop to this.

The digital era has elevated the prices of postal products, as there are cheaper substitutes, outsourcing and other operators in the market. With this, there has been a decrease in postal traffic that not only is affected by the digital era but by the consciousness of the population in regards to the use of paper. Being a state company brings Correios many benefits but also drawbacks, as there is the need to make the interests of the government and the company compatible.

During the years, the postal sector has suffered tremendously with the digital era. Therefore, the tendencies of the postal industries has a prospective character in matters of reducing these influences. In the case of Correios where the company is considered a monopoly the liberalization of the market could be a positive aspect, as it is done in Germany, guaranteeing an equilibrium in the sector. However, Correios have had little growth in the past few year. Incentivize innovation could be the way to decrease the influences of the digital era. In addition, the quest for more economic approaches to the business, generating low cost for clients and company is necessary. The impact that technology has had in postal business is tremendous but alongside that, Correios cannot be fearful of embracing technology because it brings what the customer wants in terms of ease of use, customization and security.



### ***Postal Tendencies***

In order to do the best for Correios, a deeper look into new technologies and postal technologies are important to define a future for these companies. As mentioned on the previous section, Correios was negatively influenced by technology but in order to maintain the company and its finances thriving, different initiatives are needed. One way to look at it is to find successful postal companies around the world and see what they are doing in the retail/convenience sector. The other way is to look at cutting-edge technologies that are shaping the not only the postal business but everything that involves postal companies.

#### ***a. Comparisons – A Look into Successful Companies***

From an internal look into the retail/ convenience sector of seven companies, there may be important initiatives for Correios. The countries analyzed were Australia, Austria, Belgium, France, Germany, New Zealand and the UK.

##### *Australia*

One hundred percent of the company is State-owned. Besides the common products/services (telegrams, packages, stamps, etc.), the retail agencies in Australia started to sell other products/services such as car and travel insurance, currency exchange, travel cards (i.e. Visa Travel Money), passport issuance, cameras, phones, computers, tablets, gift cards (movie theater, iTunes, restaurants, etc.) and many other services related to ID cards.

##### *Austria*

Besides the common products/ services, the Österreichische Post AG sells marketing service (dialogmarketing, geomarketing, publicity cards), banking transactions, self-posting and self-delivering in self-service machines in strategic points (subway stations), lottery tickets, subscriptions (phone, internet, TV), telecommunications (phones, cards for international calling), gift cards, office supplies, printing, gift supplies (video games, sports supplies, etc.) and cooking supplies.

##### *Belgium*

The Belgium Post offers the same variety of products a common post office would have such as packages, letters, post cards, etc. In addition, in a partnership with Electrabel (Energy company) offers information regarding your electricity. Furthermore, it offers telephony services and financial services through the Postal Bank of Belgium.

### France

La Poste, much like other postal companies around the world, offers postal products. However, it has a unique strategy, which is to develop the postal presence, developing all kinds of partnerships. This means that La Poste wants to develop the commerce around the area it places its post-offices. La Poste also has its own mobile operator (La Poste Mobile), present in France for ten years. Other products offered are office supplies and financial services (La Banque Postale).

### Germany

The Deutsche Post is a benchmark for postal companies around the world. One of the few to place itself in the Global 500. It focuses both on the post-offices and on a digital platform, which includes online services and self-service machines. It follows the same pattern of services of the previous companies highly focused on customer service, promoting the interaction between clients and post-office workers for adequate planning (especially for companies).

### New Zealand

The NZ Post offers a high variety of products in its portfolio such as collection artifacts, necklaces, purses, art, rings, financial services through the Kiwi Bank (which became highly successful in just a few years running, with over 800,000 clients) and the usual postal products (packages, letters, postcards, etc.)

### United Kingdom

The UK Post offers postal products and services, and very much like the Australian Post offers insurance and products with the objective of facilitating the citizens' lives. These products/services are drivers' license (national and international), renovation of drivers' license, issuance and renovation of passport, tax payment services, identity check (for citizens and foreigners), internet services, office supplies and financial services, among others.

Then why these companies are more successful than Correios? From each country we can see a very unique similarity, they do not sell only postal products/services. And I am not counting the products/services that come from the Postal Bank since it is related to all of these postal companies. The fact is that these companies transformed their post-offices or post agencies into multi-department stores. Based on culture, they shift their focus on postals to englobe products/services that the people would need, if not on a daily basis, occasionally. In addition, they started to innovate much sooner than Correios could ever do. Offering internet service or

mobile phone plans was the way to stay competitive in the telecommunications business, as well as take advantage of the necessary technology to incorporate the business and the people.

### ***b. Technology -A future of changes***

Nowadays, it is common to hear or read about how technology is taking over the workforce. Erik Brynjolfsson, an American academic and professor at the MIT Sloan School of Management, calls this new movement the second machine age (Race Against the Machine and The Second Machine Age). Others, like the English journalist John Micklethwait, refer to it as the fourth revolution (the Fourth Revolution). The truth is that it is inevitable that technology is changing how we see our world today. Most times for the good, but there are many preoccupations to whether or not the machines will affect negatively in our lives.

For Correios and postal companies, technology is simply one of the most important factors that are leaning companies towards a common direction. In the future, we can expect a more balanced market, leaving the monopoly to a perfect competition status. Furthermore, prices are expected to rise, mainly due to the decrease in postal traffic and the more economical alternatives.

Specifically in postal companies, technology can play role that is much more significant than what it does today, for example with “track and trace”. How about when mailmen start to become a disposable asset? We are seeing this today with Amazon and Wal-Mart starting to test drone delivery. How about Google and its driverless car? From what technology has given us today, we can expect a decrease in the workforce, which will generate unemployment. Consequently, the implications are enormous, both as an advantage and as a disadvantage.

### ***c. Correios – A way out***

Is it certain that implementing the same strategy other countries’ postal companies have implemented will work for Correios? No, but it needs to take the risk. I am not saying each post-office needs to sell an enormous quantity of products because it is not viable, nor cheap. However, it needs to make sure each post-office can be either self-sustainable or provide profits for the company.

One of the biggest weaknesses for the convenience/retail sector is the lack of advertising/marketing. Correios has an e-commerce website (see appendix 3) which sells the same products found in a post-office. However, only a few people know about it and only few people use it, then why keep it running? The answer is simple, it’s cheap! The highest cost for Correios is to

provide each of the 12,225 post-offices of Brazil with the same amount of products that can be found in the website. These costs involve transportation, printing and making it available without the guarantee that will be sold. In fact, most of these offices are operating below margin.

A company the size and expertise of Correios is thought to have overcome these problems but simple things like this is what keeps them from being efficient. Solutions are immense such as from creating a distribution center in some of the regions so these products can be delivered in case there is the need for. Or simply ending having physical postal products in every office, maintaining only online sales that can be done either from your home or from the local post-office, delivered to your home or mail-box.

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## ***IV. Market Research***

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### ***Methodology***

The market research performed was quantitative and qualitative. The process focused on surveys to reach a higher number of people and an interview process with a few employees of the company. There were four goals to achieve with the market research. Quantitatively, it aimed to identify primarily how perceptive the consumer was behind the products in the convenience/ retail segment. Secondly, it aimed to get a consumer idea of what the company was doing right and what the company was doing wrong, as well as the point of view of consumers into what it could offer to improve its product/ service portfolio. Lastly, and in much less focus, it expected to better identify if Correios has a specific target market. Qualitatively, it was designed to have an internal perspective of the company in the segment and their personal ideas about the convenience/ retail segment.

From demographic questions, the goal was to identify the company's target market. From previous studies about the company and the amount of product/ services it offers, the target market is very broad, ranging from the ages of 15 to over 50. However, the concentration is stronger between the ages of 21 and 40 (see appendix 4). Furthermore and for the same reason, the target is from people whose education level goes from incomplete high-school to people with Post-Graduate degrees. The survey, though it did not reach an enormous quantity of people, it was possible to categorize one of the biggest challenges the company faces. 100% of the respondents have used Correios at least once in their lifetime and 60% have shown a biannual frequency (see appendix 5). From all the respondents, the most used service is packaging, which was used at least once by 100% of the respondents. The least utilized services were Virtual Passwords PIN, Customizable Corporate Products, INSS, Capitalization Bonds, Social Message, Mailbox, VPE (Electronic Money Order) and Digital Certification with 0% (see appendix 6). The following questions asked the respondents to mark the products/services that they did not know. Surprisingly philately was one of them, alongside with Virtual Passwords PIN, Digital Certification VPE (Electronic Money Orders). From the 14 products sold, the surveyed did not know about 30% of them. In a Likert scale the respondents showed their evaluation about Correios' services and products. When asked about the variety of products offered, it stayed between good and regular. The quality of the service exceeded expectations sustaining a good standard, with a few regular. The one that showed the worst evaluation was

the information about the products and services. Over 75% responded it as being bad or very bad. In asking the point of view of the respondents about what would make them use Correios more, many said that they would like to see better prices and more day-to-day necessity. When asked what they would like to see Correios offering, some said that e-commerce would be a good add, others mentioned the service of mailbox (already offered by the company), and a few mentioned issuance of documents such as passports and ID cards (see appendix 8).

It is extremely difficult to gather interviews with Directors or President. These positions are assigned by political matters and not earned. During the writing of this thesis, the president and all the directors have been exchanged due to the political uncertainty. However, it was possible to gather Interviews with Analysts of the company. They have shown that there are a mix of feelings in regards to this sector. Some understand that there is the need to inject more advertising into this sector and believe that a reduction of the product portfolio is not necessary. Others have a complete different view believing that the status of the company today is not favorable to take risks. The position is to drastically reduce costs, and ending some of the products/ services that do not represent a significant revenue stream is one way to do it. One Analyst XIII with over 30 years of experience as an employee suggested that this sector should even come to an end. First, there is the reduction of the portfolio, and then the convenience/ retail segment should be embedded with another one, as many of the products/ services are already related to these other segments (e.g others financial, bills receivables, capitalization bonds and VPE moving to the financial segment).

### ***Other Researches***

An internal analysis of the products and services in the convenience/ retail segment was conducted to determine its position in the product life cycle, according to Raymond Vernon. It was determined that 36% of the products and services are in the Decline Stage, 29% are in the Saturation Stage, 15% are in the Maturity Stage and 21% are not possible to determine (see appendix 9).

A research conducted by Price Waterhouse Coopers (PwC) – Global Total Retail 2015 – have shown that the clients are ready to embrace the digital era and they want companies to improve their system to accommodate changes. Examples of this are a better e-commerce platform, a communication system between each store to verify stock, and fast and easy payments (without the need of a vendor). Furthermore, in Brazil, over 30% of the customers are using smartphones

and tablets to perform some services such as research of products, compare prices and locate the nearest store. Finally, the use of Social Medias have become very effective in branding positioning. Over 40% use them to find information about a company they do not know, read feedbacks about products/ services, and promote a marketing campaign, suggesting products/ services to others (see appendix 10)

In a research conducted by CNI-IBOPE where the population rate all the public services, Correios has the highest rate of approval. The quality of service was rated high or very high by 25% of the population, adequate by 53%, 20% rated low or very low, and 2% did not know how to answer (see appendix 11).

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## V. *Recommendations*

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Based on what was studied in this case (Company, literature review and market research), I have proposed the following recommendations for Correios. The convenience/ retail sector is not responsible for a large portion of the revenue (as seen on Case, 2.95% of the total), so the reduction of the portfolio in this segment will be comprised of three propositions.

The conservative approach focuses on maintaining the portfolio as it is, eliminating the one product that is not showing signs of growth, nor revenue for the company. This product/ service is *INSS*.

The moderate approach focuses on the products/ services that show a significant revenue and seem to be showing signs of growth from one year to the next. These products/ services are *Philately*, *Receita Federal*, *Packages*, *Capitalization Bonds*, *Mailbox*, *Digital Certification* and *VPE* (Electronic Money Orders). The rest will be eliminated.

The most complex is the radical approach, which will focus on extinguishing completely this segment. Eliminating inefficient products/ services such as *INSS* and *Registrations*, is the first step. Second, products/ services will be embedded in a more compatible segment. For example, *Others Financial*, *Bills Receivables*, *VPE*, *Capitalization Bonds* and *Receita Federal* will move to the Financial segment; *Social Messages* to the Message segment; *Packages* and *Mailbox* to the Logistics segment. Three products and services are left, *Philately*, *Others Convenience* and *Digital Certification*. All three should be used exclusively as an e-commerce advantage and the only product/ service to be sold in physical stores will be stamps.

Shrinking the portfolio is also not the only option available. As many authors suggest and many postal companies are doing successfully, increase the amount of products/ services offered can help. Correios could offer issuance of official documents because it has the privilege of being present in every county in Brazil. On the premise that Correios has been struggling financially, lacks on product innovation and is strongly affected by the digital era, I believe it is time to reduce the costs rather than risk it with the addition of new products. Based on this, my personal recommendation is that Correios follows a strategy between the moderate and radical approaches. This will allow better allocation of funds and reduction of costs of distribution and logistics. Therefore, contributing to the financials of the company.



In order for the company to continue moving forward, it needs to develop stable top management personnel. This would require meritocracy to take over instead of assigned positions. Allowing this, product and process innovation would be encouraged and could help overcome the lack of efficiency in the convenience/ retail segment. In 2014, the costs of publicity reached R\$ 200 million. State companies in Brazil are often subject to corruption and advertising costs may be one of the ways to masquerade it. It does not seem that Correios take advantage of the R\$ 200 million of advertising to promote its company and products. Having said that, I believe a more structured top management could help surpass this over spending and/ or allocate the resources better. Correios needs to start focusing on the future and improving its mobile platform and e-commerce initiatives.

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## ***VI. Teaching Notes***

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This case aimed to study the convenience/ retail segment of the postal company of Brazil, Correios, with a goal to find a possible solution to the high costs and low revenue to this segment. The study analyzed the company as a whole, the products/ services in this segment, the influences of the digital era and postal companies of other countries who faced the same challenge. In addition, a market research was conducted to identify problems within the product portfolio of the convenience/ retail sector. The key issues that can be found on the case are the large product portfolio, the challenges of managing a state-owned company in Brazil and the product portfolio management. Furthermore, minor issues – but not less important – are also found such as the influences of technology in this sector and the lack of product innovation.

The case was intended for use in Marketing courses, however, it should not be limited to just it. Some topics may be helpful in Strategy and Technology courses. In addition, it can serve for Bachelor and Master classes. There are no needs to master a subject before applying the case. Though for a better understanding of the case, knowledge in some subjects may be helpful such as product life cycle, innovation management, product portfolio management and public administration.

### ***Learning Objectives***

The case is not intended to take the whole time of a 90-minute class. With previous reading, it should take no more than 40 minutes for a thorough discussion of it. The case study part (pages 8 – 24) are sufficient for the students' reading. Depending on the class subject, focus should be applied:

- a. Strategy Class: there's no need to focus on the Product Portfolio;
- b. Marketing Class: whole case is recommended;
- c. Technology Class: Deeper focus on Product Portfolio and Influences of the Digital era, understanding that Correios is a state-owned company.

### ***Suggested Assignment***

The suggested assignment for the student are the case questions. There are two sets of questions intended for Bachelor and Master's courses. In addition, the Key Research Questions can also be added to it.

#### **Bachelor**

1. WHICH WOULD BE MORE BENEFICIAL FOR CORREIOS AND ITS CONVENIENCE/RETAIL SECTOR. SELL MANY PRODUCTS JUST LIKE GERMANY, NEW ZEALAND, UK POSTAL COMPANIES OR FIND A NEW STRATEGY TO REDUCE THESE COSTS? WHY?

The ideal answer would be to find a new strategy to reduce the costs. Based on the company's financial situation and the country's political uncertainty (mentioned in the case), adding new products could be highly costly and risky. Reducing the number of products sold is one strategy (name the products to eliminate and why). Also could implement three propositions for product portfolio reduction, conservative, moderate and radical.

2. HOW HAS THE DIGITAL ERA INFLUENCED POSTAL BUSINESSES AND HOW IT WILL CONTINUE TO DO SO?

The digital era has influenced postal business negatively. Before, postal companies were the only method of communication between two people. The digital era has come and new technologies have been shaping the way we communicate and do business. This have caused the postal business to shrink and become dependent on shipping and delivering goods rather than serve as a communication method. The digital era has been making the market more balanced, moving towards a perfect competition. New technologies are molding the logistics business. The postal traffic has already been reduced (letters) because of alternatives (e-mail, SMS, instant messaging). Amazon and Wal-Mart are working on drone delivery, Google is working on a driverless car, apps show which is the best route at the moment, to avoid traffic (Waze). These technologies are coming to show how postal companies are becoming obsolete and it seems like mailmen will be the first to be extinct. (case is sufficient but more research can offer different technologies)

- Simply answering that the digital era influenced positively postal businesses would not be correct because these companies have shown difficulty in coping with technology.

3. THE FUTURE OF CORREIOS IS RESTRICTED TO B2B! WHAT EVIDENCE HAS SHOWN THAT THIS STATEMENT IS TRUE?

The digital era is the evidence we need. Correios and B2C are becoming outdated. Very few people send letters, post cards or even social messages today. In addition, this number keeps decreasing year after year. The digital era has shown that communication now is faster, easier and safer. E-commerce has made possible to buy good cheaper and receive it faster so even person-to-person shipping of goods in a non-commercial way is decreasing. (simple answer, overthinking will make the student get this question wrong)

Masters

1. IT IS CERTAIN THAT THE GOVERNMENT PLAYS A MAJOR ROLE IN INFLUENCING THE COURSE OF BUSINESS OF CORREIOS. IN YOUR OPINION IS PRIVATIZATION THE ONLY WAY OUT? WHY?

There is no wrong answer. However, one must look at the situation of Correios and Brazil. It is not the only way out but the situation of the company and country show signs that it may be the best way out. The country is suffering from massive corruption scandals and the company will have a deficit of R\$ 2 billion. Hence, simply diverging the company's bureaucracy can help overcome the pitfalls of the country and company. How? Increasing autonomy, meritocracy for upper management and encouragement of product innovation are just a few of the examples. (further research is advised, topic: privatization of companies in Brazil)

2. AS MENTIONED IN THE CASE, THE FUTURE IS RESERVED FOR B2B. HOWEVER, B2C IS STILL PART OF THE HIGHEST REVENUES FOR THE COMPANY, DECLINING YEAR AFTER YEAR. HOW DO YOU SEE THE B2C BUSINESS OF CORREIOS IN 5 AND 10 YEARS? HOW TO MAINTAIN IT SUCCESSFUL?

In 5 years, I expect the B2C business to stop being the largest revenue for the company and in 10 years to become no more than 30% of the revenue. It is expected that B2C will not be responsible for the highest revenue of Correios in the upcoming years. However, there are ways to defuse this decline. The focus is especially on product innovation that can allow more interaction between the company and the consumer. Strategically positioned self-service machines and/or become an intermediary for the government when reaching consumers. (basically students' opinion, with regards to the influences of the digital era)

3. WHAT ARE THE ADVANTAGES AND DISADVANTAGES OF CORREIOS AS A STATE-OWNED COMPANY?

ADVANTAGES (not limited to) – further knowledge of state-owned companies in Brazil is beneficial

- Job Security
- Growth Opportunities
- Largest Employers
- Financial Stability
- Employee Benefits

DISADVANTAGES (not limited to) – further knowledge of state-owned companies in Brazil is beneficial

- Bureaucracy
- Lack of Innovation
- Political Influences
- Government Regulations
- Salary Cap

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## ***VII. Conclusion and Future Research***

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In this thesis, the study was set out to show Correios and its product portfolio. The aim of it was to find evidence that the product portfolio of the convenience/ retail sector could and should be reduced in order to overcome financial and strategic challenges. This study was performed in three parts.

Primarily, the company was researched as a whole to understand the way it does business, the goals and more specifically, the convenience/ retail segment. In this part, the research was done through periodic such as Revista dos Correios (a magazine released internally), Management Report (2014) and the company's website (where most of the information about history and products can be found). Secondly, a research about the future of postal businesses and the technology that can be used to revolutionize this industry was conducted through the use of periodic such as Postal Technology International Magazine, consulting studies from renowned consulting firms such as Price Waterhouse Coopers and Bain & Company, and books whose focus are in technology and future. Lastly, the market research which focused on gathering information from consumers and employees to understand the problems of the company, and offer a plausible solution to it.

The first part of the study (company) helped find what the company strives for, what it wants to achieve. Though it is a very coherent and cohesive plan, there seems to be some differences in comparison to the finds in the market research. One of the biggest findings in the market research is that Marketing is a sector that needs more investment but the focus is strategic. However, it is in alignment with the future of postal businesses and technology. The company is looking to diversify its portfolio to compete in a more liberalized market .(Anand) The finances of the company clash with the proposed Strategic Plan (Strategic Plan 2020), as it is preparing for heavy investments in times where there are political and economic uncertainties in the country.

The market research (surveys, interviews and internal analysis) have helped better identify the challenges the company faces. Surveys helped us identify that the company does not have a well-defined target market. It is simply projected to achieve every person or company that is in need of their services. Furthermore, it lacks in marketing initiatives. A marketing category that is not very well utilized is advertising. Also, many people have no idea what some of the

products/services are because there are very little information available to the public. The respondents mentioned as good additional offering, products/ services that are already offered by Correios (e-commerce and mailbox). A shocking example of not knowing a product/ service is philately, maybe not the definition of the word but the products that are sold under this category – that can be very broad – are not well informed to the population such as stamps and collection items. Understanding the consumers is important to develop a course of action.

The influences of the digital era have shown a great approach in shaping the future. The use of smart technology is the future and postal business must start relating and taking advantage of it to stay competitive. Linked to the influences of the digital era is the internal analysis. It is possible to notice that the convenience/ retail segment lacks tremendously in product and process innovation. Product and process innovation are very important to help in the reduction of costs. (Klepper 1996) Despite the fact that that some of the products/services have shown growth in terms of sales, most of them have not. This has a direct correlation to top management positions where constant changes occur. Not having stable, knowledgeable and competent decision makers, makes the company fall back in many advantages that could help it move forward.

### ***Limitations of the Study***

One of the limitations of this study is the lack of a company or companies evaluating their relation with Correios (in a B2B scale). Though the focus of this study was the impact on B2C rather than B2B, it could have been interesting to follow the perspective of businesses and their use in the convenience/ retail segment. Another limitation are the consumer and surveys performed. Being able to do it in a larger scale, reaching a sample of over 1,000 people in different parts of Brazil and different social scales could have shown differences in the results of the survey. Finally, being able to interview the top management (President and Directors) of the company may have shown a different perspective in the way it does business and how they actually approach decision making. The biggest limitation in this case is the inability to certify the long-term relationship between the top management positions and the company.

### ***Suggestions for Future Research***

Many authors have suggested either a broader portfolio or a smaller portfolio (Anand 2008; Schwartz 2004; Fernhaber and Patel 2010). Many other authors have shown effective ways to manage a product portfolio (Fernhaber and Patel 2010; Miguel 2008; Moreira and Cheng 2010). Several other authors have adapted Cooper's product life cycle theory (Vernon; Birou, Fawcett and Magnan). The truth is there is not one author who is more right than the other is, or more wrong than the other. All of them have shown that the implications of a model are infinite when carefully researched and applied. Simply stating that my model is better for a particular case is denying the information that all these authors have come up with.

Further research would be interesting when collaborated in the B2B scale of this company. As said before, this would have an important connection with technology and the future. Focusing on the B2B spectrum could be more beneficial strategically for Correios and have a shift in the focus of this case from a marketing and product portfolio to the business as a whole. Additionally, public administration could be further researched for Correios and Brazilian state-owned companies. The focus should be on implementing a strategy for hiring top management as a form of impacting growth. Better related to product portfolio, further research could be in the development of method to manage the portfolio of products in postal companies. Most of these companies operate in the same type of products and all of them are struggling to survive with the influences of the digital era. This study could be both revolutionary and differentiated all over the world for private or state-owned enterprises.

### ***Final Words***

The original contribution of this paper was to find an important solution to overcome the challenges in the convenience/ retail sector of Correios. This is important because of the necessity for Correios to start implementing the practice of reducing its portfolio. During the writing of this thesis, according to internal sources, Correios has promoted the need to reduce its product portfolio. However, no plan is already in place.

I hope that this work has introduced to an old theme in a different way and that could make you think differently in terms of product portfolio and approaches to challenges in postal companies. Furthermore, I expect that this study could be just the beginning in terms of postal business.



Finally, I sincerely hope that this study has gave you much enjoyment reading as I had in writing it.

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## IX. Appendices

### Appendix 1 – News presenting deficit of the company in 2015

Blasting News > Economia > 2015 > 11 > Correios apresenta rombo de 900 milhões de reais em 2015

Atualizado: 17 novembro 2015, 12:56  
EMMANOEL GOMES - Especialista em Política [Seguir](#)

## CORREIOS APRESENTA ROMBO DE 900 MILHÕES DE REAIS EM 2015

Com tarifas defasadas e rombo no fundo de pensão dos funcionários, a empresa fecha 2015 na UTI.



Uma das empresas mais bem conceituadas e mais presentes na rotina dos brasileiros, os Correios, amargam uma caótica situação financeira nos últimos tempos. A empresa enfrenta uma das mais terríveis crises econômicas, saindo de uma situação com o menor lucro da sua existência, até fechar com um prejuízo próximo de 1 bilhão de reais até o final de 2015. Esta será a primeira vez, em um período de vinte anos, que a instituição irá amargar um prejuízo, além disto, com uma cifra tão assustadora.

Source: Blasting News

**EBC** Radioagência Nacional

[▶](#) Prejuízo dos Correios deve chegar ao recorde de R\$ 1,3 bi neste ano

[Tweetar](#) [G+1](#) [0](#) URL: <http://radioagencianacional.ebc.c>

01:43 Economia, Notícias 10/12/2015 - 21h19 Brasília Embed

Priscilla Rangel

Os Correios se preparam para encerrar o ano com o maior prejuízo da história da empresa pública. Estima-se que o déficit passe de R\$ 1,3 bilhão.

Uma das estratégias para recuperar as finanças é elevar as tarifas de serviços, como carta, telegrama, malote, contas e boletos bancários em aproximadamente 9%, aumento que passa a vigorar nos próximos dias.

Source: EBC (Brazilian Communication Company)

[Início](#) / [Economia](#) / [Correios pedirá reajuste de 8,9% em tarifas para reverter rombo, diz ministro](#)

PUBLICIDADE

## Correios pedirá reajuste de 8,9% em tarifas para reverter rombo, diz ministro

Governo busca reverter rombo de quase R\$ 1 bilhão dos Correios. Tarifas das correspondências podem subir

T+ T-     compartilhar: [Facebook](#) [Google+](#) [Twitter](#)

 postado em 17/11/2015 13:49 / atualizado em 17/11/2015 14:00  
 Agência Estado

Para tentar reverter um prejuízo estimado de R\$ 900 milhões este ano, os Correios irão propor ao Ministério da Fazenda um reajuste de 8,9% nas tarifas das correspondências, serviço no qual a estatal tem monopólio no País. De acordo com o ministro das Comunicações, André Figueiredo, essa medida pode reforçar o caixa dos Correios em R\$ 700

Source: Portal Uai

***Appendix 2 – Revenue for the Convenience/ Retail Segment (in millions of Reais R\$)***

Product/ Service	2009	2010	2011	2012	2013	2014
Philately	421.9	391.1	308.7	456.6	331.3	310.2
Receita Federal	61	61	44.1	46.6	45.2	50.5
Packages	39.4	39.4	47.0	52.0	59.7	60.7
Others Retail	20.7	20.7	9.5	3.8	3.4	15.9
Capitalization Bonds	12.1	12.1	12.4	13.1	14.3	14.5
Mailbox	9.6	9.6	14.0	15.1	16.9	18.6
Social Messages	9.6	9.6	8.4	9.4	9.0	5.8
Digital Certification	-	6.8	16.0	16.0	1.1	12.4
VPE (Electronic Money Transfer)	6.7	6.7	3.5	6.2	13.6	20.3
Bills Receivables	4.5	4.5	3.1	1.7	1.7	1.9
Registrations	1.3	1.3	-	-	0.3	0.08
Others Financial	0.8	0.8	0.6	0.2	0.006	0.009
INSS (Retirement Payments)	1.6	1.6	0.5	0.04	-	-
<b>Total</b>	<b>589.3</b>	<b>565.3</b>	<b>467.8</b>	<b>620.7</b>	<b>496.5</b>	<b>510.9</b>

Source: Management Report

Appendix 3 (Correios e-commerce page)

CORREIOS NET Shopping
COMO COMPRAR MEUS PEDIDOS
Selecionar idioma

CORREIOS  
ON LINE
Conheça os Combos dos Aeogramas Nacionais  
Produtos com 10% de desconto

Inicial A Loja Cesta de Compras Atendimento Meus dados ENTREGA GARANTIDA Correios

Busca de Produtos
TODAS
Buscar

Nossos Produtos

- Natal Correios Online
- RIO 2016
- Telegrama via Internet
- Selos | Emissão 2015
- Aerogramas
- Base de CEP
- Bonecos Carteirinho e Carteirinha
- Cadernos

Combo com 2 camisetas pretas Olho de Boi - Tam. M - desconto de 14,29%

**R\$ 60,00**
Aproveite produtos com desconto

Selo Natal 2015 - Presente - Folha com 30 selos

**R\$ 45,00**
Natal é carinho, é presente, é abraço...

Centenário do Nascimento de Vinicius de Moraes - Quadra

**R\$ 11,00**
Centenário do Nascimento de Vinicius de Moraes

Combo com 2 Camisas brancas Formigas do Brasil - Tam G - desconto de 14,29%

**R\$ 60,00**
Aproveite os produtos com desconto

Caixa Temática 03 - Rio 2016

**R\$ 6,60**
O clima do RIO 2016 estampado em uma caixa!

Caneca Formigas do Brasil Mod.4 Formiga Saúva Limão

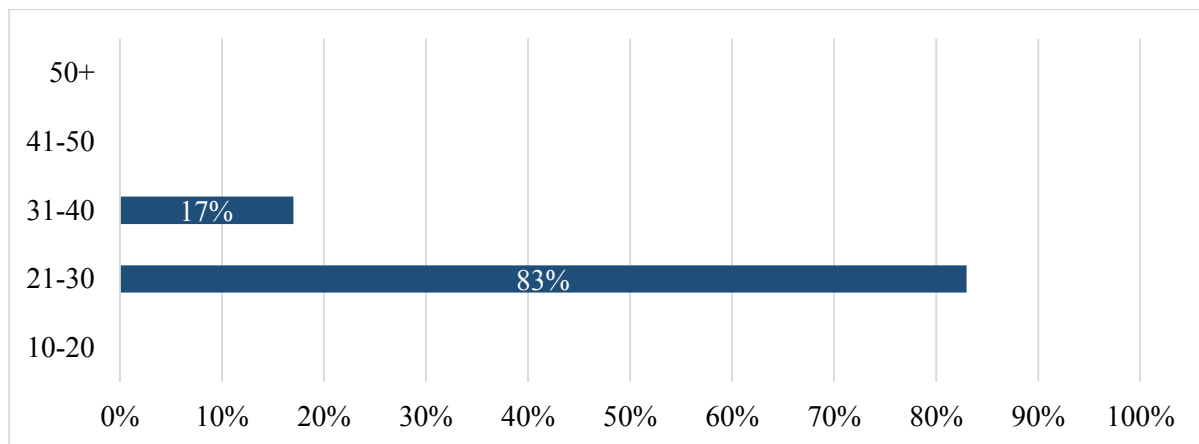
**R\$ 18,00**
Caneca com uma personalização inédita

Coleção Anual de Selos 2012

Boneca Carteirinha Morena

Source: Correios Net Shopping Webpage (www.correiosonline.com.br)

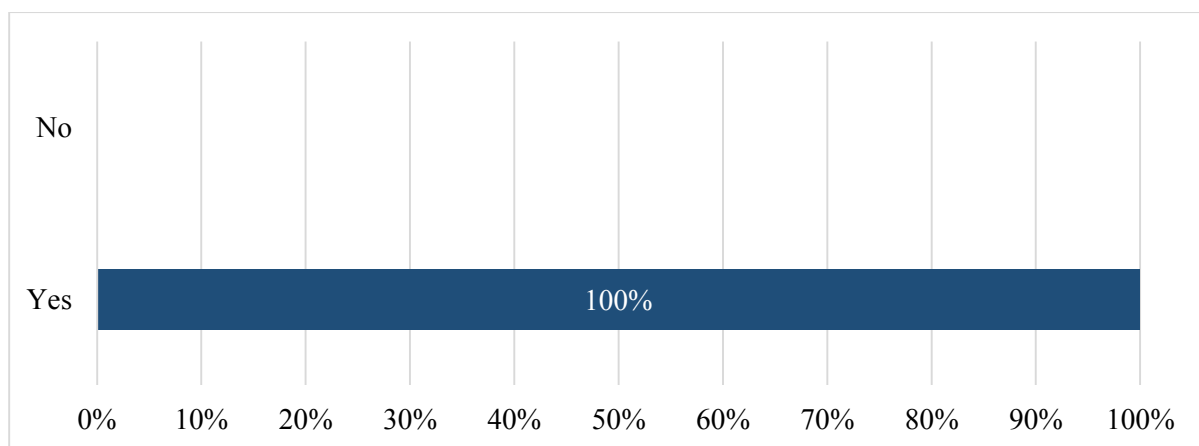
#### ***Appendix 4 – Target Market (Age)***



Source: Survey Performed on Qualtrics

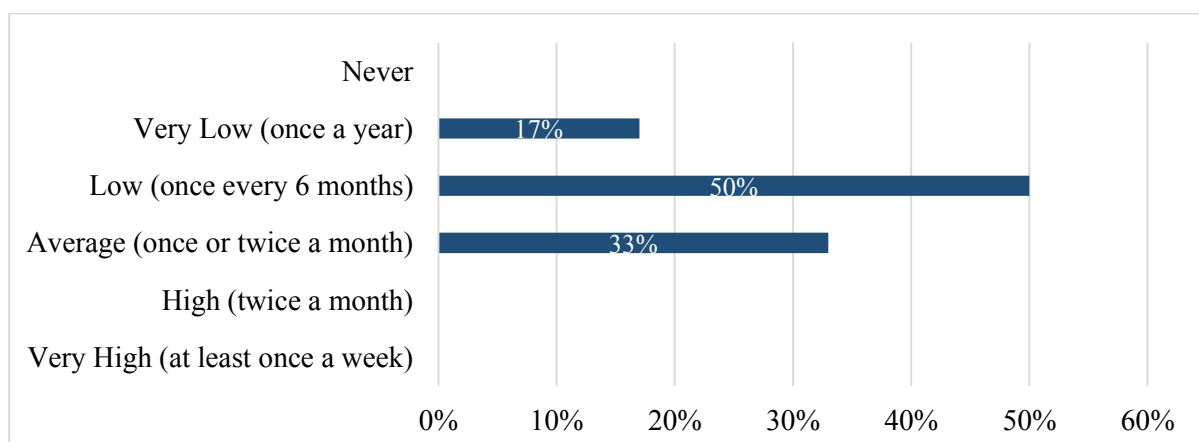
#### ***Appendix 5 – Utilization of Correios***

##### **5.1. Utilization of Correios – Have you ever used Correios?**



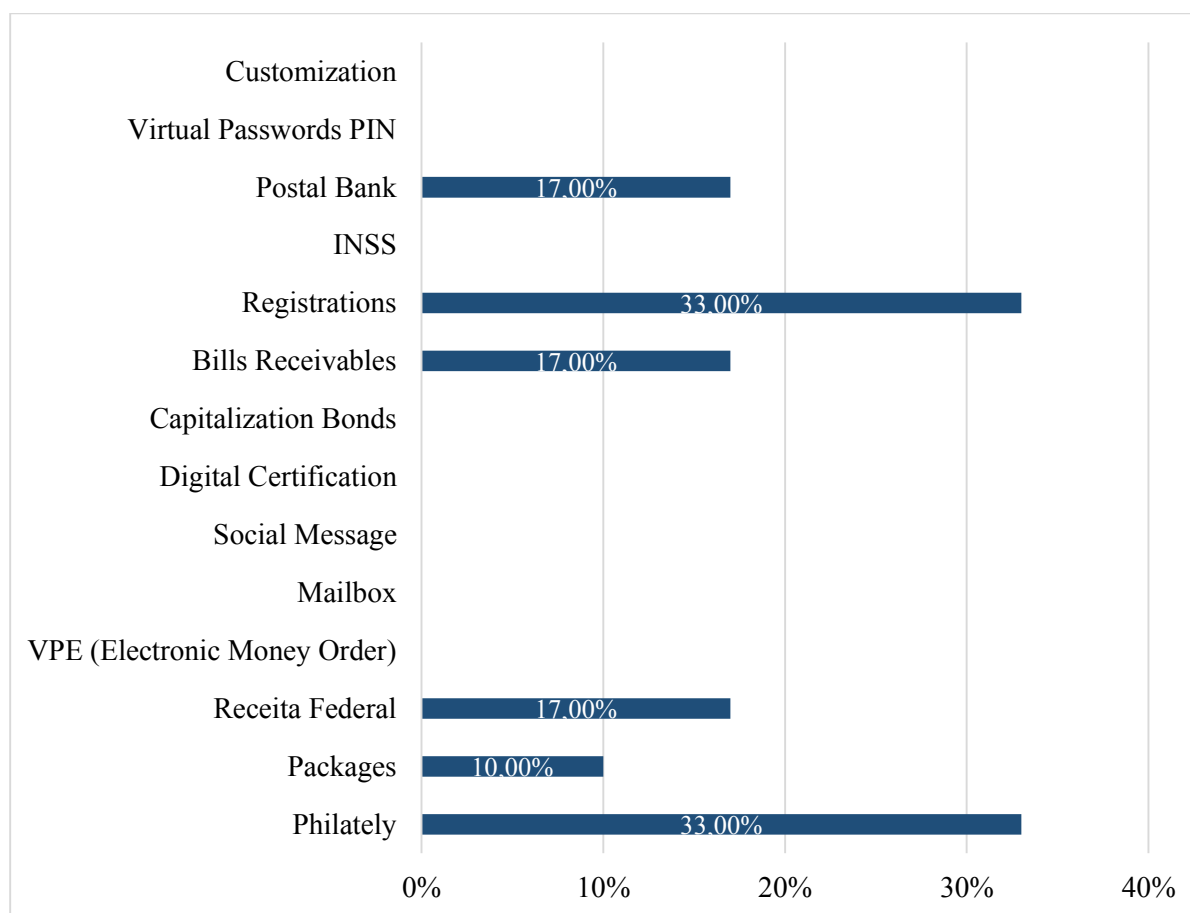
Source: Survey Performed on Qualtrics

##### **5.2. Utilization of Correios – How often do you use it?**



Source: Survey Performed on Qualtrics

### ***Appendix 6 – What are the most used products?***



Source: Survey Performed on Qualtrics

### ***Appendix 7 – What would make you utilize Correios more? (Examples of answer)***

1. Higher quality of products and services that had more daily use
2. Cheaper prices
3. Online Shopping

Source: Survey Performed on Qualtrics

### ***Appendix 8 – What would you like them to offer? (Examples of answer)***

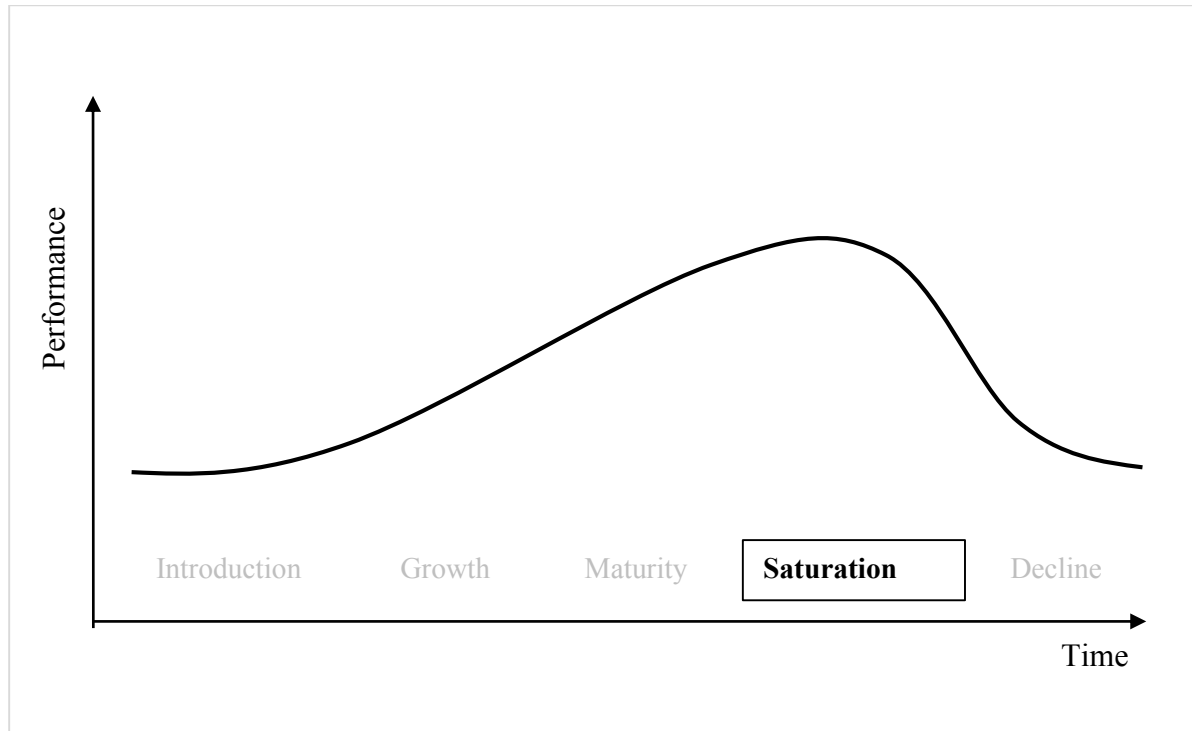
1. Ability to issue important documents such as passports and ID cards
2. Ability to pick-up goods directly from the store

Source: Survey Performed on Qualtrics

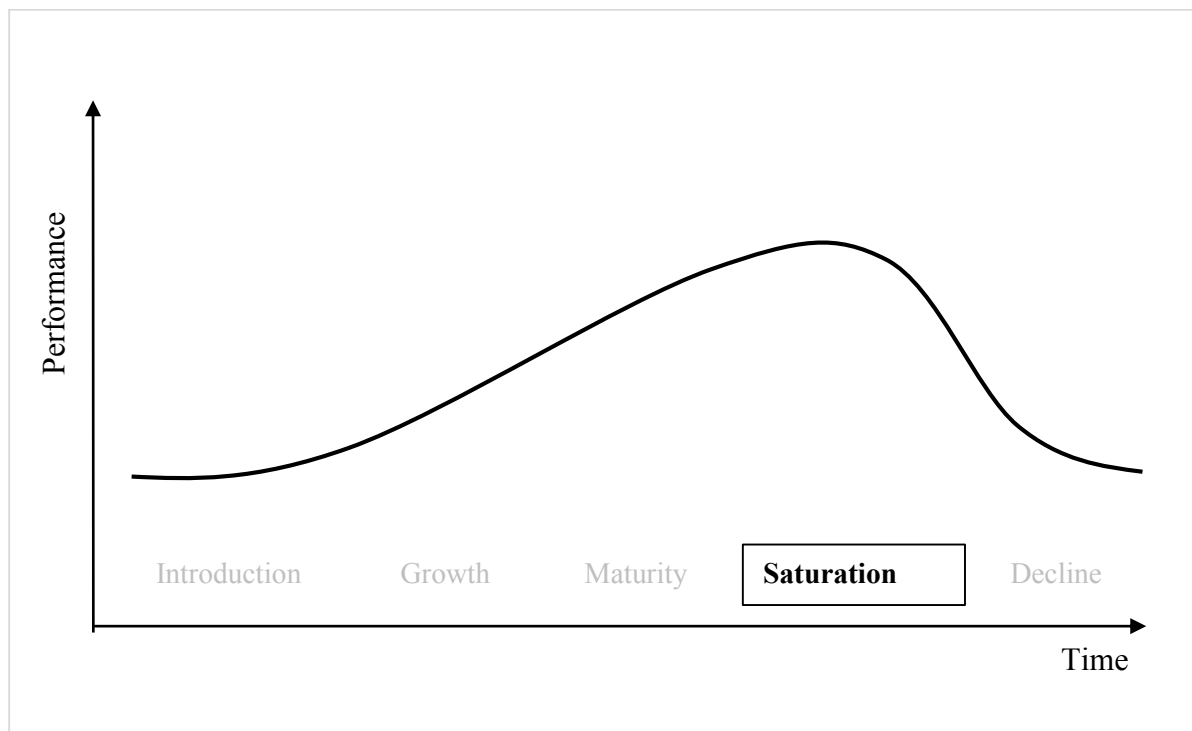


## ***Appendix 9 – Product Life Cycle***

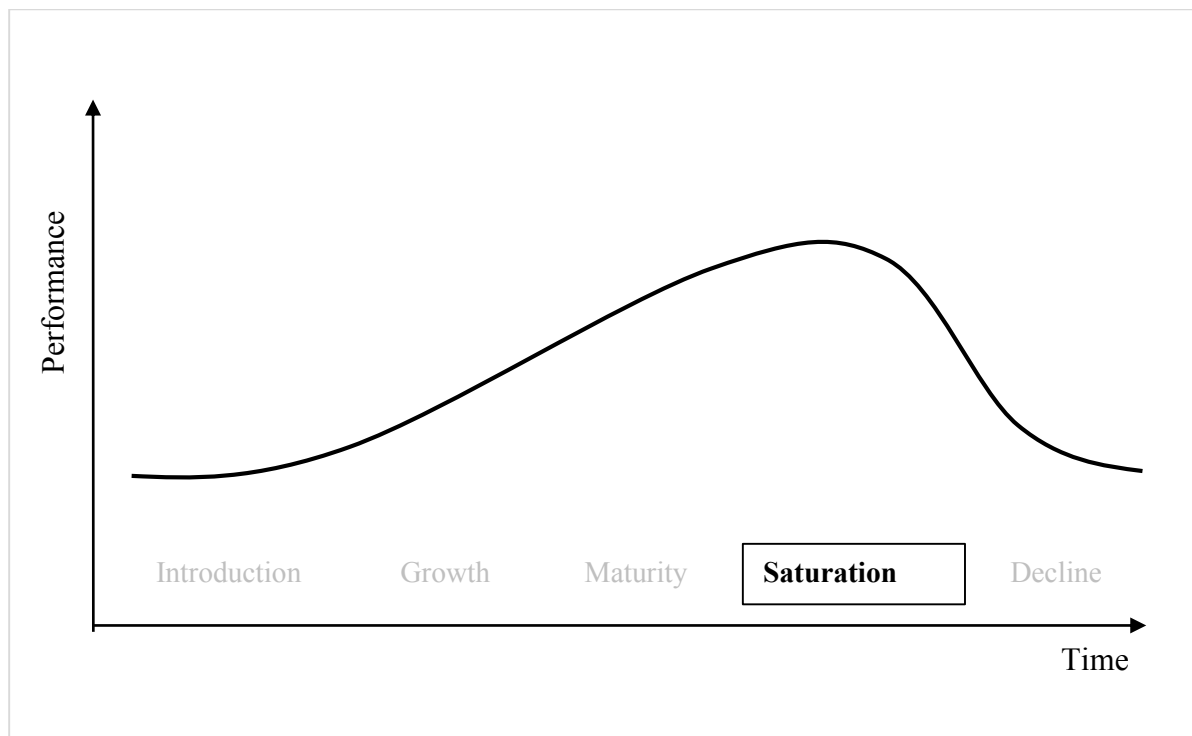
### **9.1. Product Life Cycle – Philately**



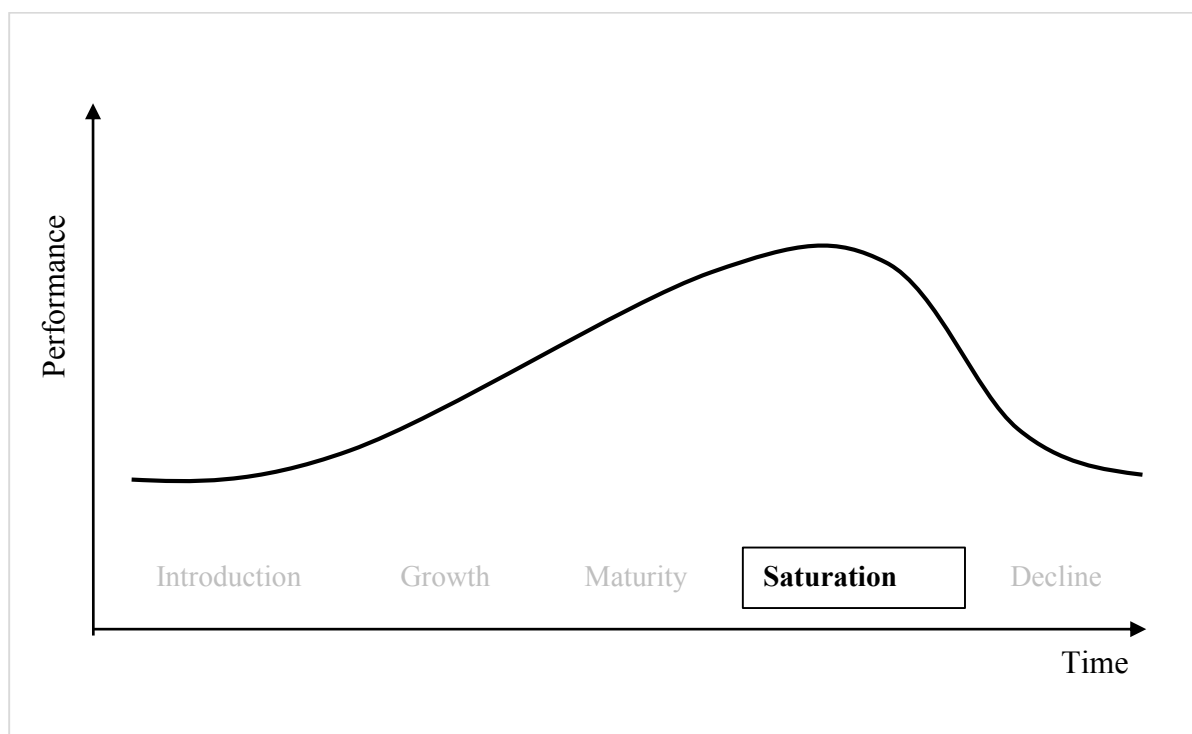
### **9.2. Product Life Cycle – Others Retail**



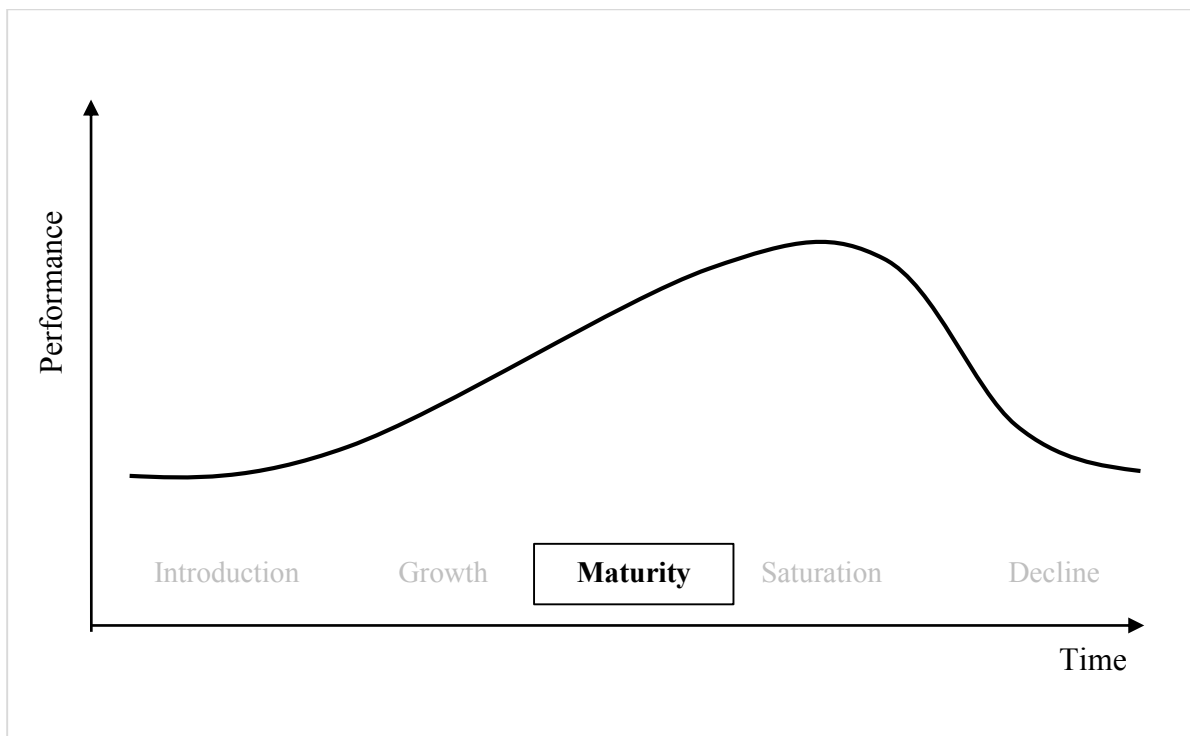
### 9.3. Product Life Cycle – Social Message



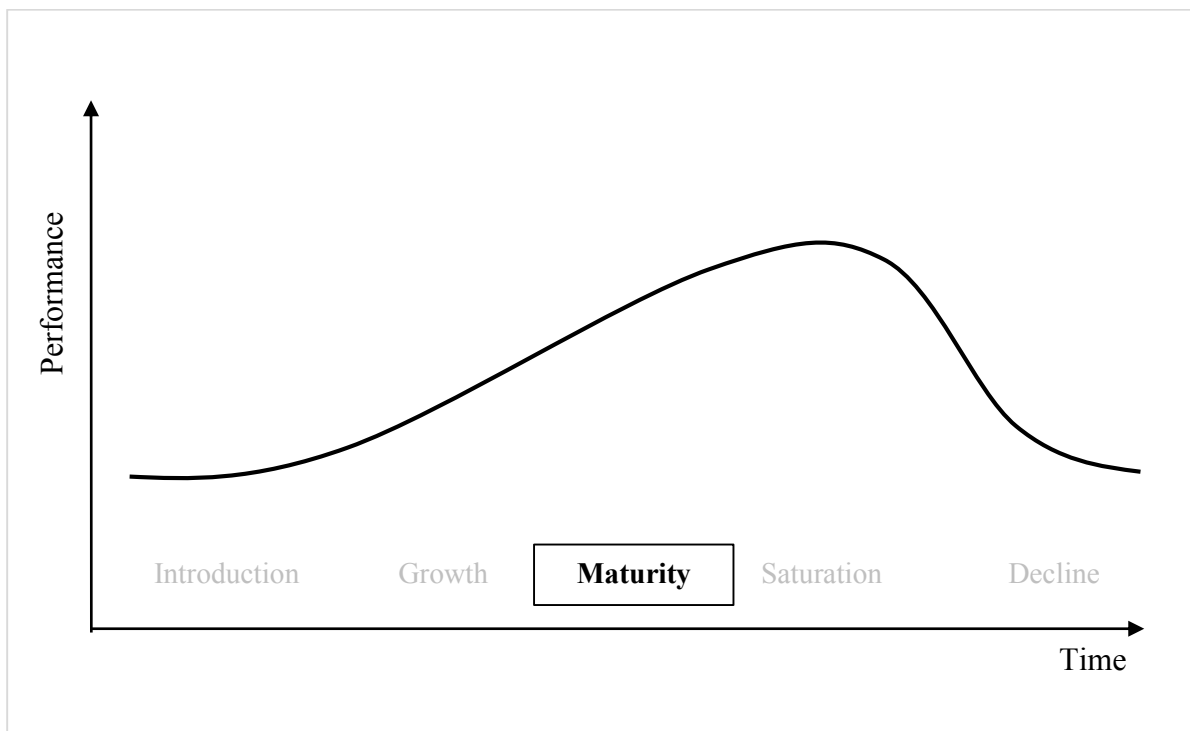
### 9.4. Product Life Cycle – Others Financial



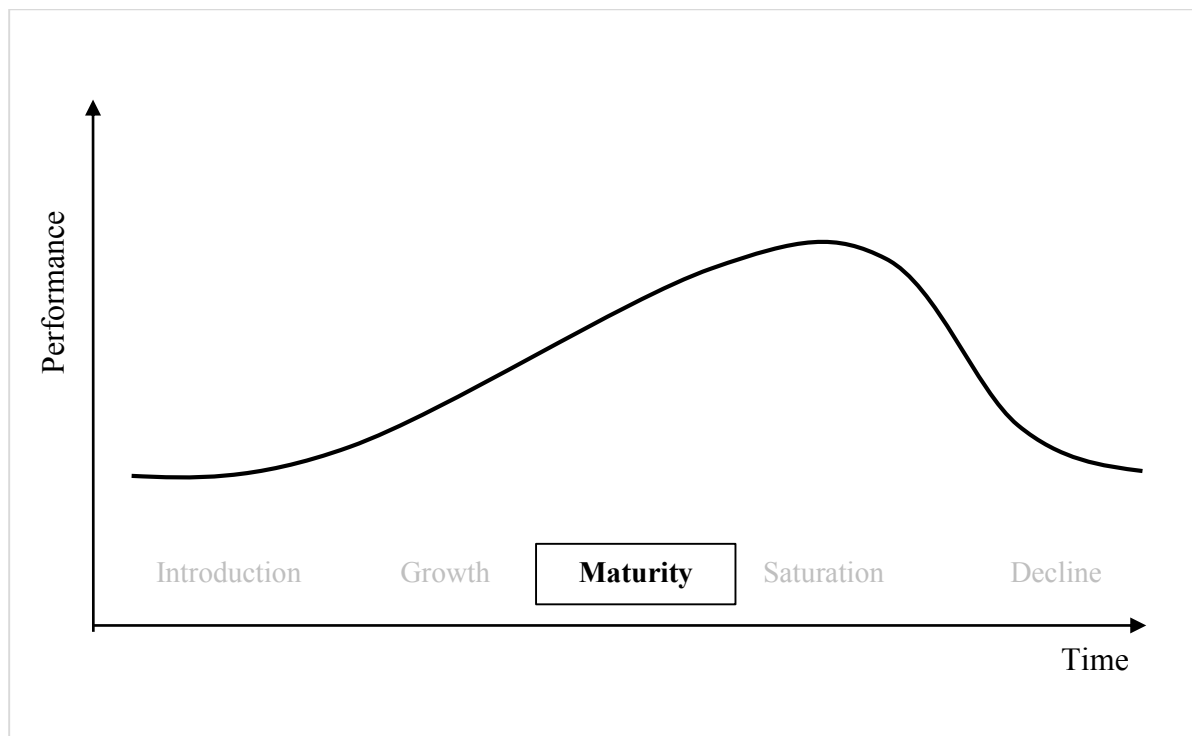
### 9.5. Product Life Cycle – Mailbox



### 9.6. Product Life Cycle – Capitalization Bonds



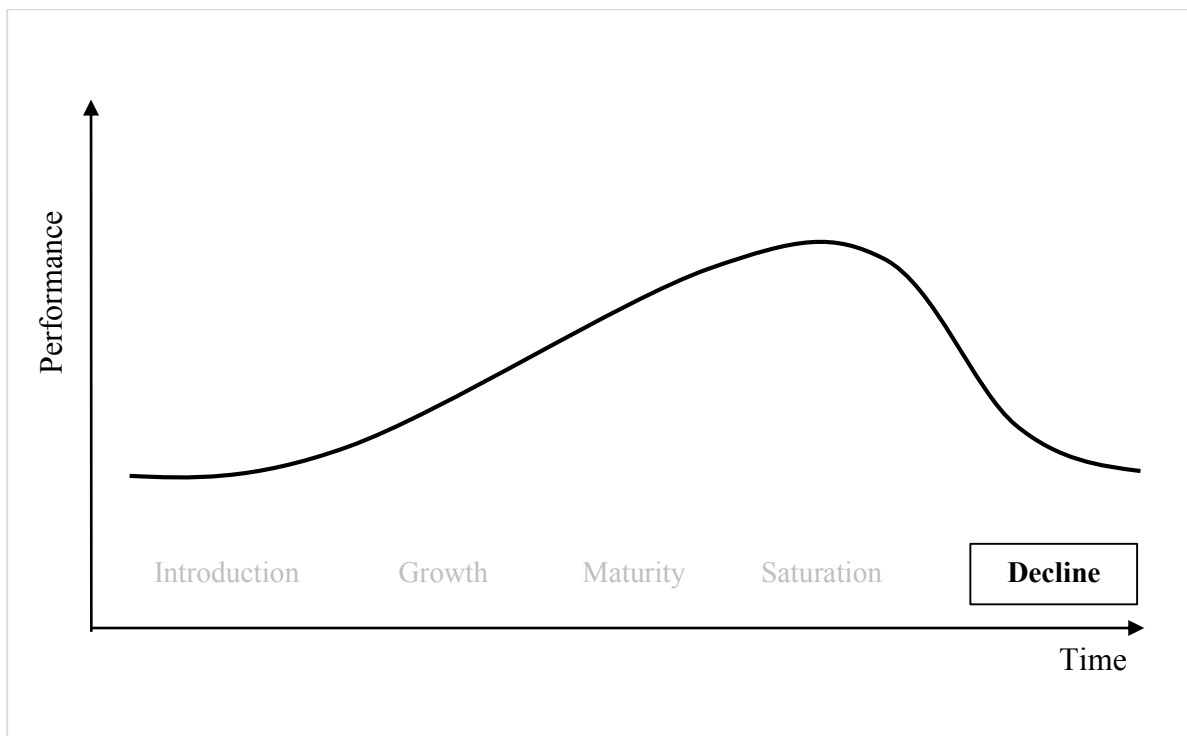
### 9.7. Product Life Cycle – Packages



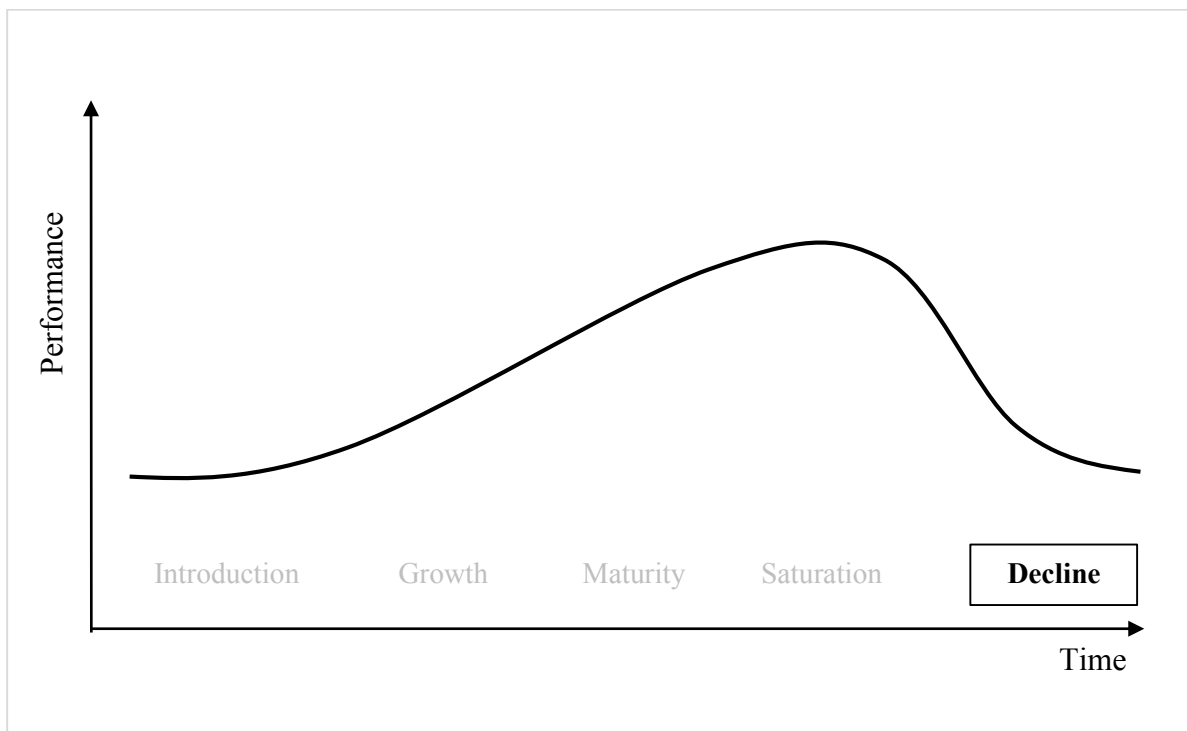
### 9.8. Product Life Cycle – Receita Federal



### 9.9. Product Life Cycle – VPE (Electronic Money Orders)



### 9.10. Product Life Cycle – Bills Receivables



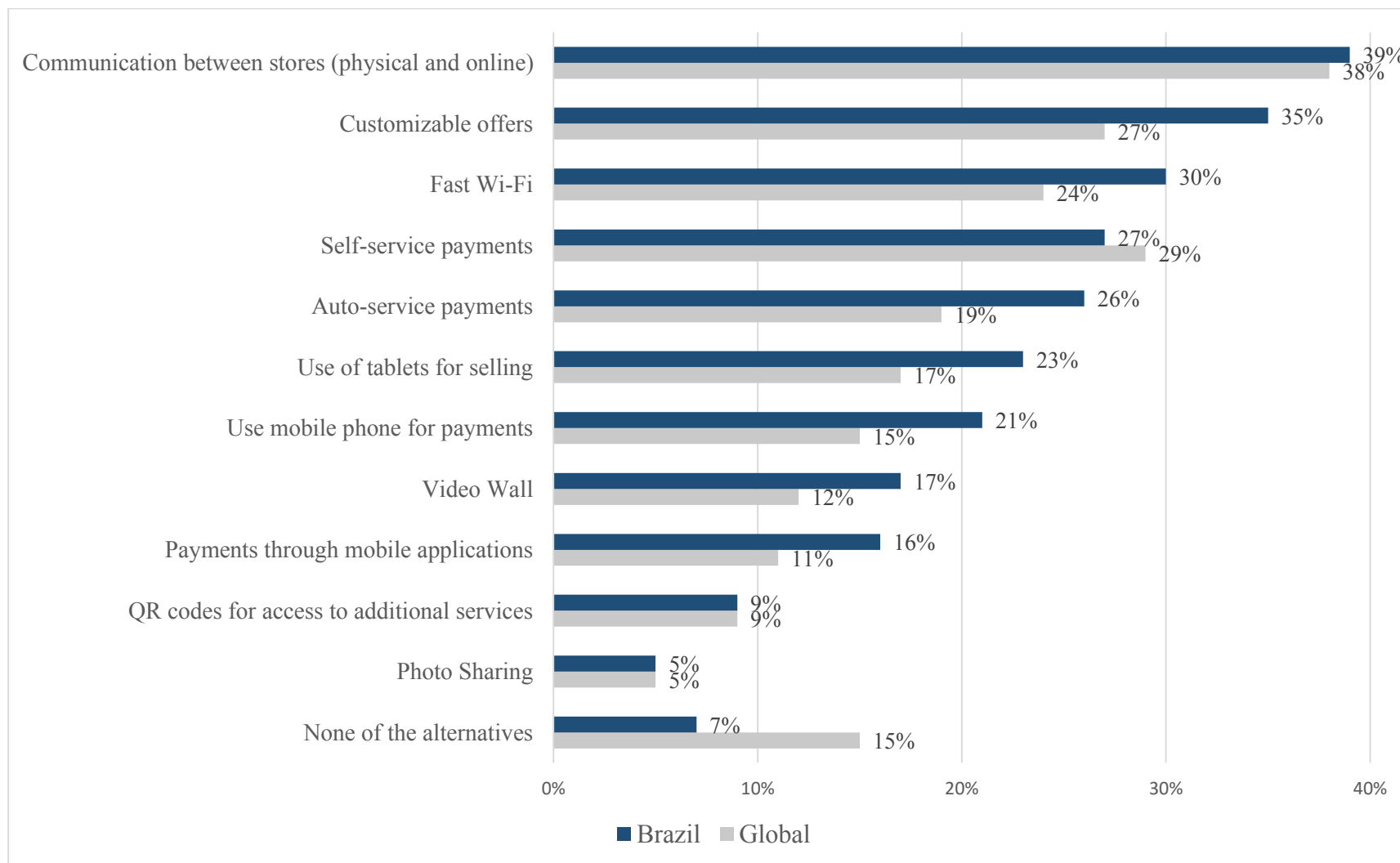
### 9.11. Product Life Cycle - Registrations



### 9.12. Product Life Cycle – INSS



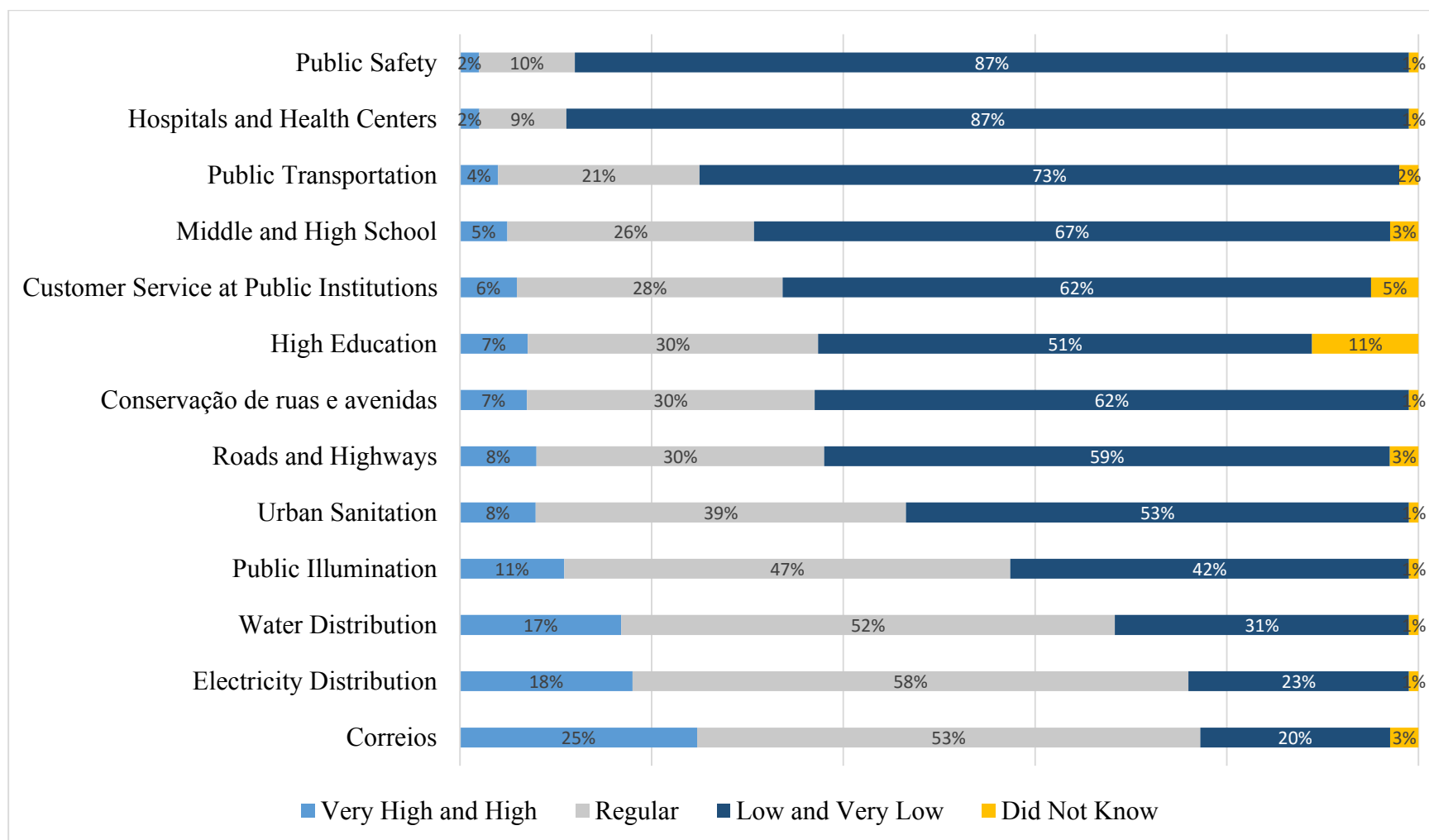
**Appendix 10 (PwC Global Total Retail) - What technologies would make your shopping experience better?**



Base: Participants Brazil (1.006) Global (19.068)

Source: PwC Global Total Retail 2015

**Appendix 11 (Survey CNI-IBOPE) – Evaluation of the public services of Brazil**



Source: CNI-IBOPE (National Industry Confederation – Brazilian Institute of Opinion and Statistics)



**Appendix 12 – Financials of Correios (in Reais R\$)**

	2014	2013
<b>REVENUES</b>	<b>17,099,148</b>	<b>16,252,411</b>
Operational Revenue	16,647,755	15,355,714
Loss of Credit	5,027	22,460
Non Operational Revenue	31,118	13,727
Other Operational Revenue	425,302	860,510
<b>EXPENSES FROM THIRD PARTIES</b>	<b>5,019,970</b>	<b>5,632,610</b>
Cost of Goods Sold	4,033,217	4,024,258
Services Acquired	1,095,089	832,500
Equipment	22,492	14,365
Publicity	199,885	91,333
Utilities and Services	3,276	1,900
Other Provisions	333,989	668,254
<b>GROSS VALUE ADDED</b>	<b>12,079,178</b>	<b>10,619,801</b>
<b>RETENTIONS</b>	<b>232,667</b>	<b>271,975</b>
Depreciation / Amortization	232,667	271,975
<b>NET VALUE ADDED</b>	<b>11,846,511</b>	<b>10,347,826</b>
<b>RECEIVABLES</b>	<b>588,904</b>	<b>436,160</b>
Financial Receivables	588,904	436,160
<b>EMPLOYEE EXPENSES</b>	<b>9,656,286</b>	<b>8,532,295</b>
Salaries and Benefits	9,044,146	7,956,202
Participation in Profits	40,595	39,759
Social Charges	571,545	536,334
<b>GOVERNMENT EXPENSES</b>	<b>2,545,902</b>	<b>2,318,637</b>
INSS (Retirement Payments)	1,440,099	1,332,782
Tax and Contributions	1,033,340	836,125
Income Tax and Social Contribution	72,463	149,730
<b>OTHER EXPENSES</b>	<b>223,314</b>	<b>245,565</b>
Rent, Interest and Currency Exchange	210,773	227,487
Others	12,541	18,078
<b>SHAREHOLDERS</b>	<b>9,913</b>	<b>312,511</b>
Profits	9,913	519,328
Dividends	-	206,817
<b>TOTAL TO DISTRIBUTE</b>	<b>12,435,415</b>	<b>10,783,986</b>

Source: Annual Financial Report (2014)